

Luttrell on Leadership
by
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Navigating the Economic Storm

One company's story about navigating last year's stormy weather

In 2008, after two years of a combined average 50% growth rate, Santa Rosa-based apparel wholesaler Indigenous Designs was moving toward a Series B stock offering to fund new marketing programs and continued growth. Founded in 1995, Indigenous Designs is an industry leader in organic, fair-trade fashion apparel. Co-founders Scott Leonard and Matt Reynolds are known for their long-standing commitment to sustainability and socially responsible business practices.

In August of 2008, a member of the company's Board of Directors, a veteran in the apparel business, cautioned the Board that industry indicators signaled trouble ahead. Chairman of the Board and CEO Scott Leonard describes the situation with a metaphor.

"We were ready to set sail and go out for new funding, but one of our lookouts saw serious storm clouds on the horizon. We came back into port, took down the sails, and proceeded to go into the bowels of the ship, looking into every nook and cranny to repair any internal leaks so that we would be better prepared for any rough weather ahead."

In September 2008, when the bottom dropped out of the

economy, Indigenous Designs was already at anchor, hard at work internally on its organization. Leonard and President Matt Reynolds pulled together their Executive Team and crafted a contingency plan. Here are some of the lessons they learned.

First and foremost, a company can still expand its capacities and thrive even when it is not growing in size or sales. Leonard comments, "We got better internally, looking at key performance indicators and maximizing efficiencies without spending a lot of money. We looked at everything. There were no sacred cows, and everything was subjected to scrutiny. We started over with a zero based budget. Every item in the chart of accounts was assigned to one of the members of the Executive Team members. Everyone was 100% accountable for coding and signing off on expenses in their area."

In October and November of 2008, Leonard and Reynolds saw how critical the situation was going to be. As the economy slid further downward and sales continued to decline, they continuously monitored their forecasts and dissected cash management. Their top priority was to maintain their bank covenants and keep their line of credit open.

Leonard describes a progression of excruciating decisions regarding staff reductions. "As a small company, there was little fat to cut and we quickly got to muscle. No one was superfluous. Every loss hurt. Ultimately over the year, we had to reduce our

employee force by 20 %, and in no case was it a performance issue. We had to lay off good, hard-working, valuable employees who I considered personal friends."

"Laying off people I adored was heart-wrenching, one of the toughest things I've ever had to do. We had to do it in order to obtain positive financial results for the company, but when you lose people in the wake of those decisions, you can't feel good about it."

Another lesson was that just because you're not out looking for money doesn't mean you have to be out of contact with the investment community. Leonard has actually strengthened his contacts with prospective funders and investors throughout this troubled time. Indigenous Designs has improved its financial performance without growth, and will be profitable this year.

The company had already established its brand as a premium customer service company, and that commitment was further strengthened, not eroded, during this difficult period.

Leonard says that the rigorous discipline they developed through this experience has given them confidence. "The Indigenous ship will set sail on expansion soon enough, and in 2010, we will be even better prepared to take on Series B investment funds and use them wisely for solid growth in 2011," he stated.

This local company has done more than just survive the Great Recession. They are better managed, smarter, stronger, more disciplined, and work better together as a team. They have a much better understanding of themselves as a company, and have improved communication both internally and externally. Investing in the inward journey has paid off for Indigenous Designs, preparing them well for the future outward ventures that await.

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Mary Luttrell helps companies turn challenges into opportunities, resolving complicated problems and issues. She is known for her ability to create inspired yet practical plans of action. She is a specialist in strategic planning, marketing, organizational development, meeting and retreat facilitation, and leadership coaching. With more than 25 years of consulting experience, Ms. Luttrell is a Certified Management Consultant whose firm was named one of the 100 Leading Management Consulting Firms in North America by industry analyst James Kennedy. To receive her white paper, *The Four Cornerstones of Business Success*, contact Ms. Luttrell at 707-887-2256 or thecoach@sonic.net.