

# Leading Through Inflation

Tags: [#economics](#) [#strategy](#)

Creator: [ram-charan](#)

## Dialogue

Title: How Proactive Leadership Can Weather Inflation

Old saying that history doesn't repeat itself, but it rhymes.

It is your job as a leader to steer the company through inflation, whether or not you have practice at it. That means fully understanding how inflation touches every part of the business and enlisting the help of others in the company to combat it. Hunkering down until the Federal Reserve fixes things is not a viable plan.

Inflation consumes cash. Cash management is the number one risk to an organization during this time.

Changing priorities is key -- as is doing it with haste.

## Mindsets

The dominant psychology of sales and marketing for the past decade has been to capture as many customers as possible and make every sale one can, without thinking too hard about whether the sale is profitable or the customer is sound. There's been a psychological aversion to raising prices.

Price raising is something that almost every business needs to look at.

Looking at both side of the value chain - suppliers and customers.

You've got to help your customers deal with rising costs, even as you fight to contain them. You also have to work with suppliers because cost incurred on that side of the value chain will affect players at every step that follows.

There's an element here of partnership, yes?

Be aware that inflation creates the illusion of growth when revenue dollars increase for the same number of units sold.

Inflation can provide an opportunity for organizations.

## Tactics That Help

The way to get ahead of the curve is to be predictive vs. reactive.

When inflation raged in the 1970s, some beverage and food companies kept prices the same but cut the size of their soda cans or candy bars, as if customers wouldn't notice. Customers did notice. They felt cheated, and the brands were damaged for years.

Keeping inventory low is key.

However well reasoned your original plan, you should go through it now on a cash basis and look at the cumulative effect of inflation.

Frequent, smaller price changes better than less often, larger changes. Why?

Changing your business model. Perhaps examine existing customer base and determine where you may focus on a smaller, more profitable area.

What have you changed your mind on?

## References