

**KNOWLEDGE
SERIES
Kenya Nov 08**

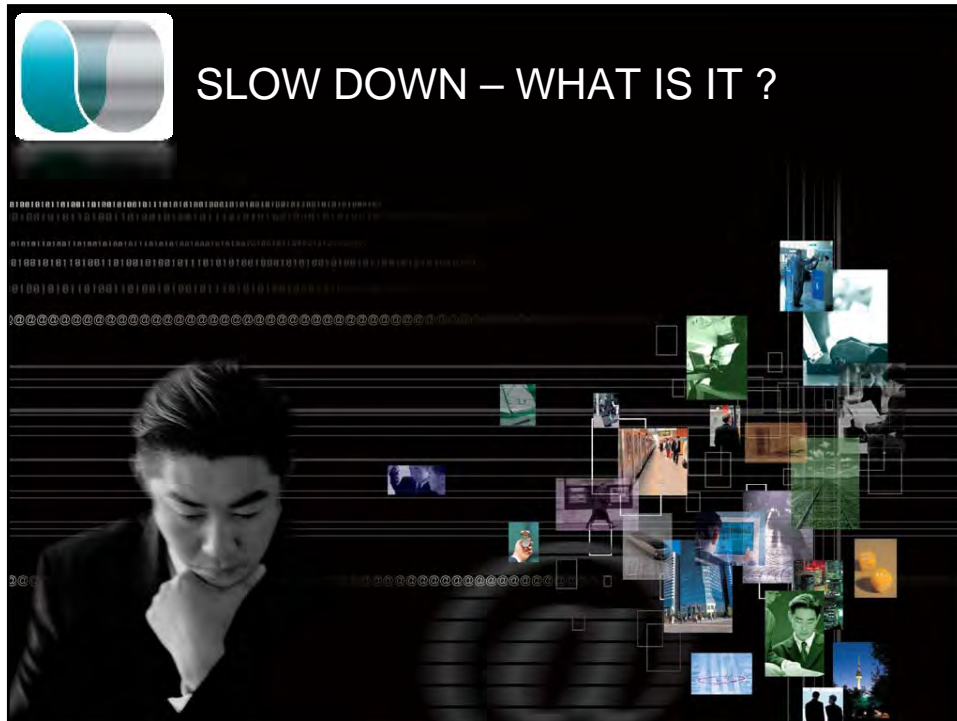
nimble
BUSINESS CONSULTING

Facilitating Growth Through Processes

**GROWING IN A
SLOWING ECONOMY**


What Will Be Covered

- What Is A Slow Down
- Typical Reactions
- Why Should Business Grow
- What Can Be Done
- How Should It Be Done





Overview of Slow Down

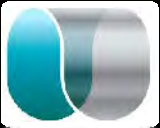
- Cycle: IMF – a Typical Global Slow Down happens every 8 to 10 years. (~ 7 years!)
- Typically the global growth reduces to around 3%!
- IMF – since 1985 following can be considered as immediate past slow downs
 - 1990-1993, 2001
- How is this different





Symptoms – External

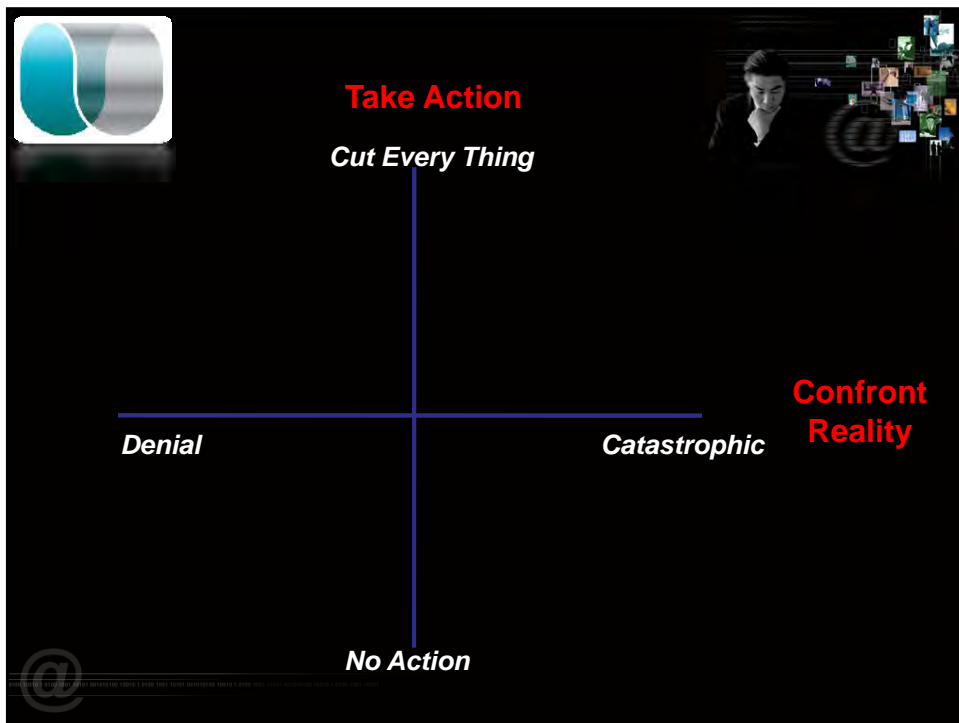
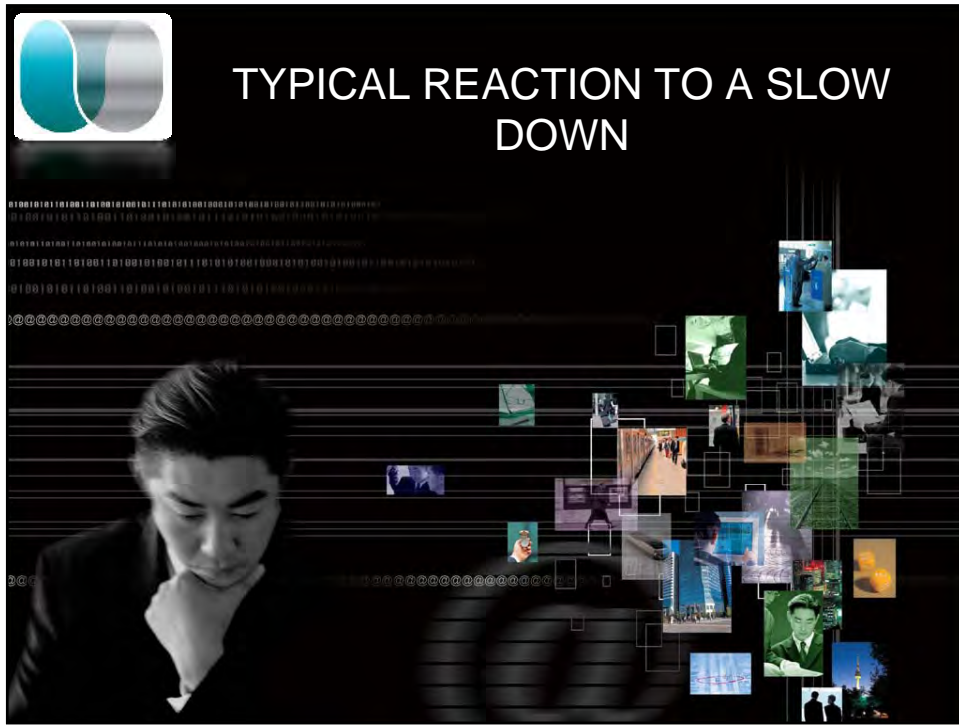
- Money market
 - Higher interest rates
 - Lower propensity to lend money
 - Higher bad debts
- Job Market
 - Increase in rate of unemployment
 - Lower hiring
 - Lower pay rise
- Customer Spending
 - Customer spending less on non essential products
- Production
 - Decrease /flat production
 - Expansions being put on hold
- Stock Market
 - Indexes driven by sentiments
 - Economic rational minimal if not zero



Typical Symptoms – Internal To A Company

- Customers
 - At best - Increasing at a decreasing rate
 - Higher credit period desired
 - Failure of payment s
 - Non essential purchases low
- Finance
 - Difficult to get from the bank, higher collateral, freezing of limits etc.
- Manpower
 - Turnover decreases
- Stocks / inventory
 - Increases beyond the desire limits





Typical Reaction - Finance

- Start conserving money
- Do not spend money on any activity which does not increase revenue **IMMEDIATELY** (not even short run)
- Delay in payments to vendors
- Cost cutting
 - Salary increase freeze
 - Pay checks cut (typically lower and mid level)
- Reduced borrowing



Typical Reaction - Human Resource

- Recruitment freeze
 - No new people being hired, promote the people internally
- Retrenchments
 - Pink slips being given
- Reduction in the HR benefits
 - Paid leaves, bonus, travel allowance etc
- Lower working hours
 - Reduce the working hours while maintaining the hourly rates
 - Ask employees to consume their leave balance






Typical Reaction - Marketing, Sales & After Sales


- Marketing
 - Cut on marketing expenses
 - Go slow on brand building and brand promotions
 - No experimentation and stick to proven models
- Sales
 - Optimize the channels
 - Reduce the sales promotion budgets
- After Sales
 - Relook at the warranties
 - Reduce customer service budgets






Typical Reaction - Supply Chain



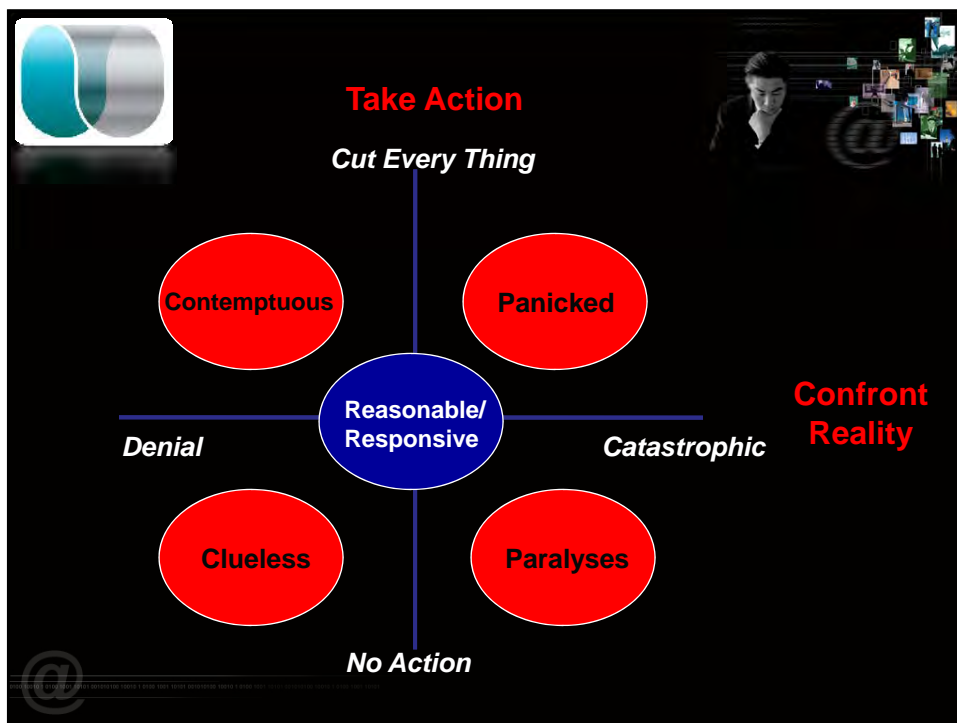
- Go to the cheapest logistics
- Become time and quality insensitive
- “Why pay logistic insurance we have never used it”
- Established vendor, save on the inspection cost !!
- Buy bulk and save money
- Vendor who gives the largest credit is the best vendor.







Typical Reaction - Technology Spending

- Technology is an investment and investments are a NO NO
- Reduce if not stop spending on technology
- New technology is a fad we would wait for the cost to come down
- Buy off the shelf is better than customized one.



Over All






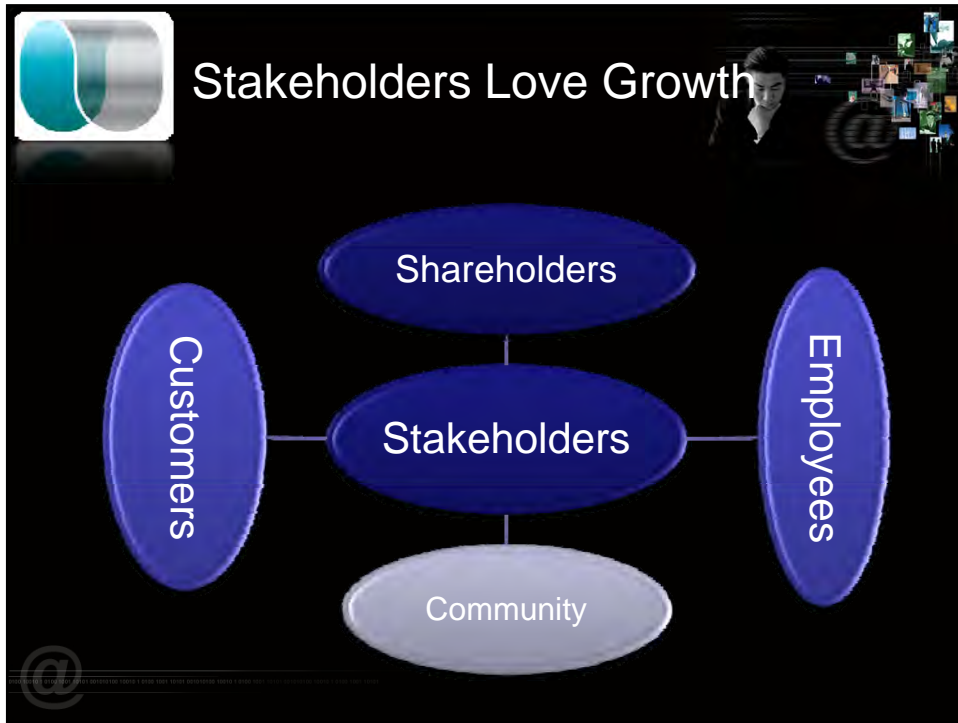
IMAGE BANK

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**WHY SHOULD
BUSINESSES CONTINUE
TO GROW?**

©



Why Share Holders Love Growth

High "growth" companies generate 5 to 10 times the return of "slow growth" companies

The illustration shows a person in a suit sitting on a green line graph that trends upwards from left to right. The background is a warm, yellowish-orange gradient. The word "gettyimages" is visible in the top left corner of the illustration.



Why Customers Love Growth

High “growth” companies churn out product and services at nearly TWICE the normal rate.



Why Employees Love Growth

High “growth” companies are the most satisfying place to work and, incredibly, job satisfaction soars despite enormous pressure to keep pace





Why Community Love Growth

High “growth” companies the engine of wealth creation in the society






What ever be the market conditions, since our stakeholders love Growth, The only choice is to **GROW !**








 WHAT CAN BE DONE ?

LOOK FOR OPPORTUNITIES




 Shareholder – Transparency

- Opportunity
 - Keep existing and potential shareholders involved in the company
 - Keep their interest on and show them the opportunity
 - Grow your market cap in a lull market
- Some possibilities
 - Sharing good and bad news with the shareholders
 - Meet with the key shareholders
 - Use internet – send emails, message



Be transparent with the shareholders



Creating A Stronger Brand – Marketing

- Opportunity
 - Media Clutter less
 - Easy to be noticed and create top of the mind recall
 - Media would get cheaper
 - Get more out of your shilling
 - Media mix change
 - Look at what gets you the maximum eyeball and customer data
 - Acquire new customers
- Some possibilities
 - PR & net to be prominent in the media mix
 - Use BTL to reach out to customers and collect data base
 - Collaborate with other brands – ride others
 - Big corporate let go of smaller customers – catch them – these can be big for you.





Create Customer Loyalty – Use After Sales

- Opportunity
 - Create customer loyalty
 - Create a revenue stream
 - Closer relationship with the vendor
- Some possibilities
 - Provide extended warranties at fraction of a cost
 - Maruti India, Hyundai India
 - Repair of the old products as a service
 - Safe Enterprise – Example

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PLEASE WAIT TO BE SEATED

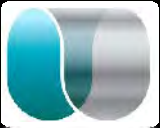

"He said it could be about 45 minutes, due to the global economic slowdown."



CUT COSTS NOT VALUE!

*Rule #1 : Never lose money.
Rule #2: Never forget Rule #1*


-Warren Buffet



6 Rules to keep in mind on cost cutting

- #1 - Confront Financial Reality
- #2 - Confront Your Cash
- #3 - Assess and manage Leadership Reaction
- #4 – Pick High-Return Opportunities
- #5 – Spend to Save
- #6 – Don't wait to cut

-from Leading on the Edge of Chaos by Murphy and Murphy






Reduce Cost of Sales – Every one sells!

- Opportunity
 - Collaboration
 - Reduction of cost of sales
 - Opening new sales avenues
 - Reach to customers directly
- Some possibilities
 - Use the same supply route as your complementary product
 - Outsource - or take work for other product to increase the reach and decrease the cost
 - Use internet
 - Brochure sales





Reduce Cost of Acquiring Material - Supply Chain

- New Vendor
 - Identify new vendors with similar or better quality and service
- Existing Vendors
 - Derive flexibility of requirement – transfer the inventory carrying cost to them
- Allow smaller vendors to reach you
 - Use of technology for the same
- Collaborate to get economies of scale
- Work on reducing carrying cost



Use Technology To Reduce Cost and Enhance Efficiency

- Communication cost
 - VOIP
- Traveling vs net conferencing
- Pilferage reduction by warehouse management system
- Duplication by Knowledge management system
- Customer interaction by CRM systems
- Project management systems





However take the culture of the company into account while looking at technology



Increase Human Capital

- Analyze the existing manpower from the perspective of
 - Skills , Attitude, Commitment to the company , Possibility to grow
- Let go of non performing assets
 - Ruthlessly look at the non performing resources .
- Good manpower availability in the market – take advantage
- Train on the job – Train Train & Train
- Encourage multi-tasking





What did we discuss?

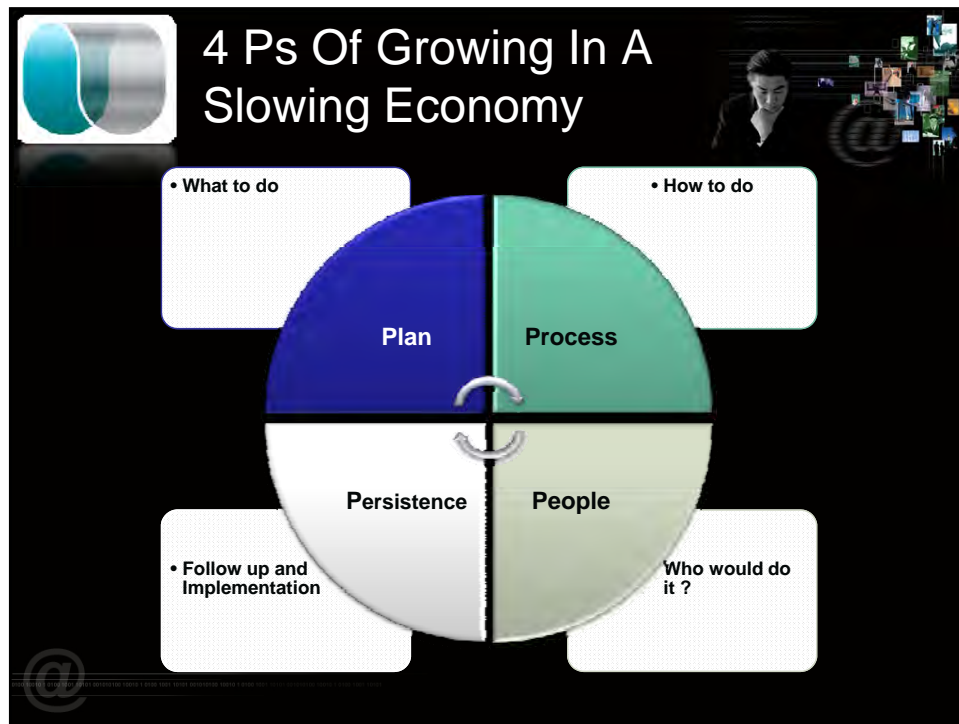
- **Slow downs are natural** – they would happen more often and organizations need to be lean and agile.
- **Most organizations react in defined manner** – forgetting that it would be over soon – and the long term Vision of the company and it's CORE values should be the guiding tools.
- **Businesses must continue to Grow** – since it helps in improving performance of the organization.
- **Look for Opportunities** – and there are many. Innovation has to be central part of all processes.



HOW DO WE DO IT !!

*GOOD LEADERSHIP AND
MANAGEMENT TEAM*





Planning Your Business

- In a slowing and volatile domestic and international economy, effective business and strategic planning are effective tools to stabilize an otherwise chaotic marketplace.
- In turbulent markets, ***failing to plan is truly planning to fail***




Know Where You Stand

- Know your strengths
- Know your exact position on financials
- Know the performance of the people
- Know how the environment is doing
- Know the industry




Strength

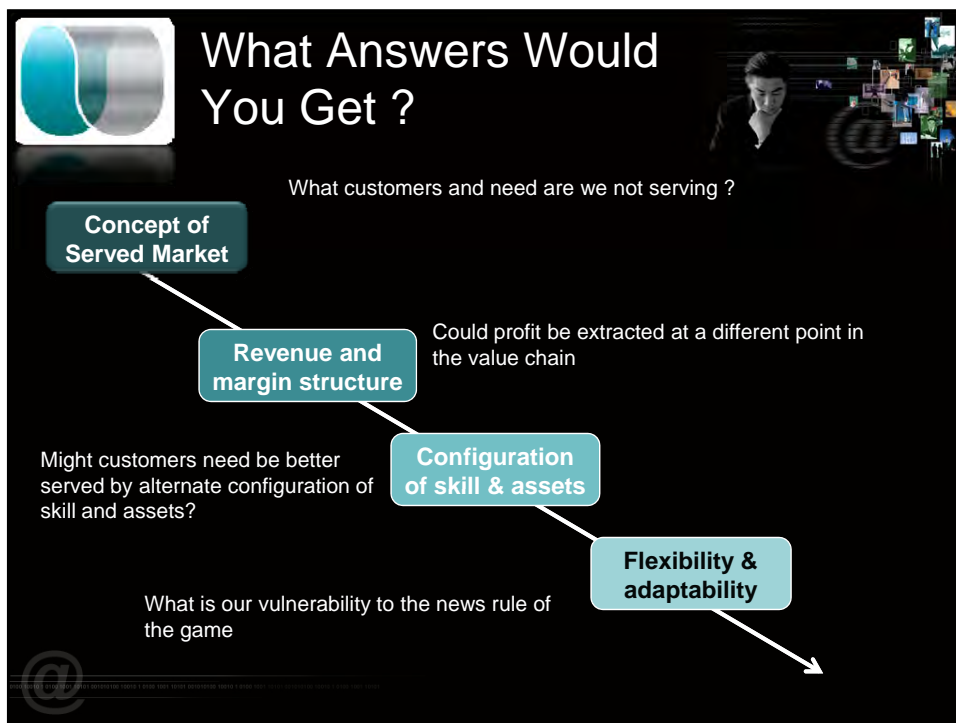
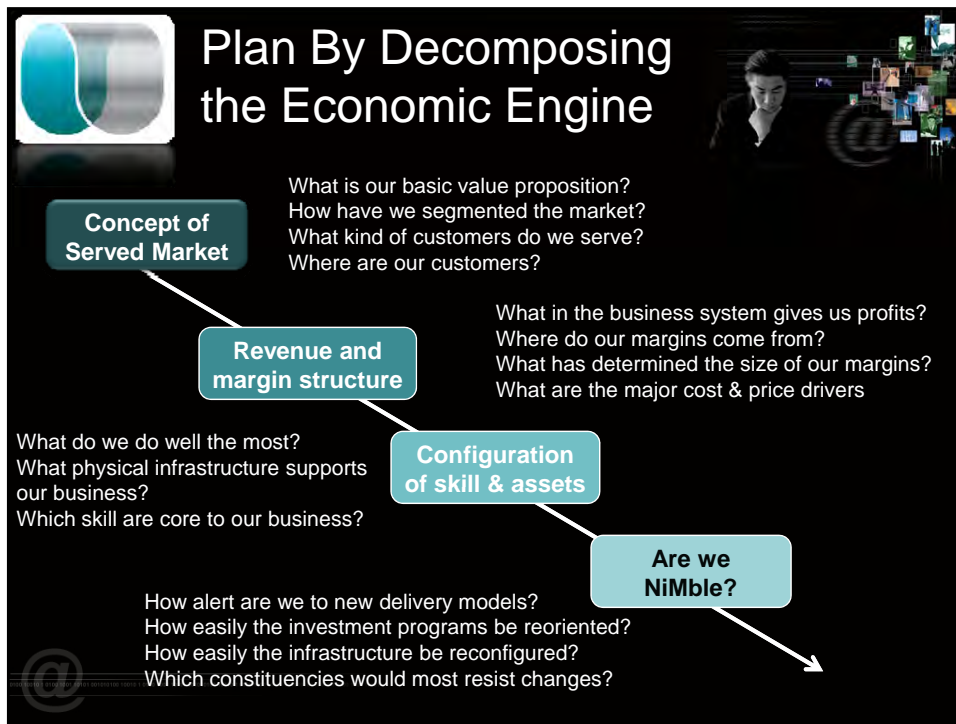
Ruthlessness in **KNOWING** would help the organization a long way



Nimble Health Check

- Existing standing of the company including for strengths and weakness
- Quick Macro Level and look at
 - Leadership
 - Organization Structure
 - Process & Systems
 - Communication
 - Financials
 - Operations








Ground Rules



Focus





Synergy

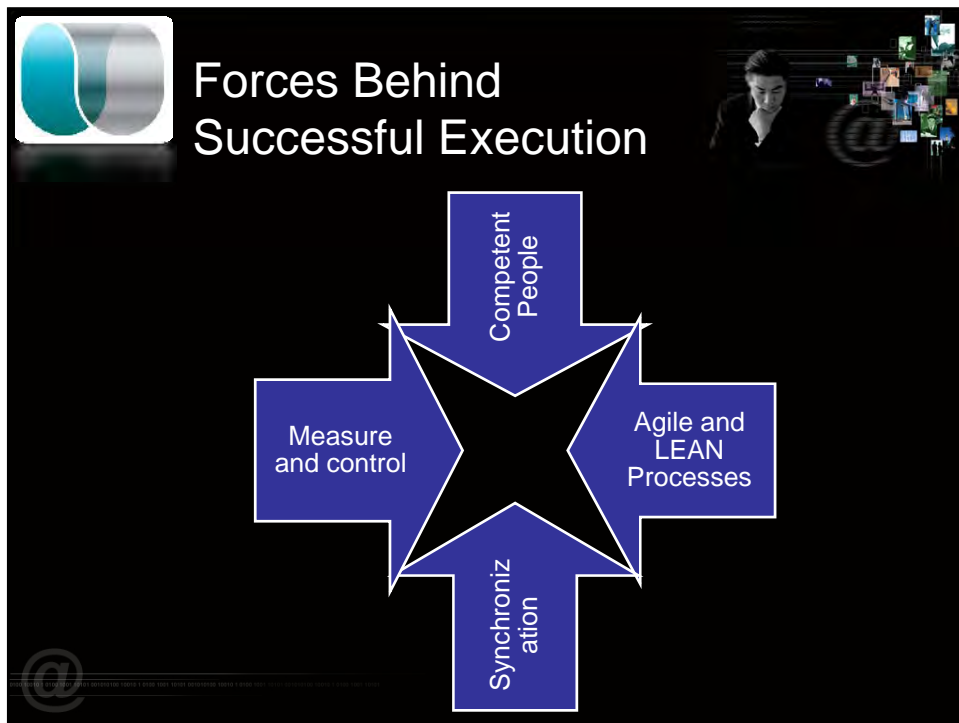
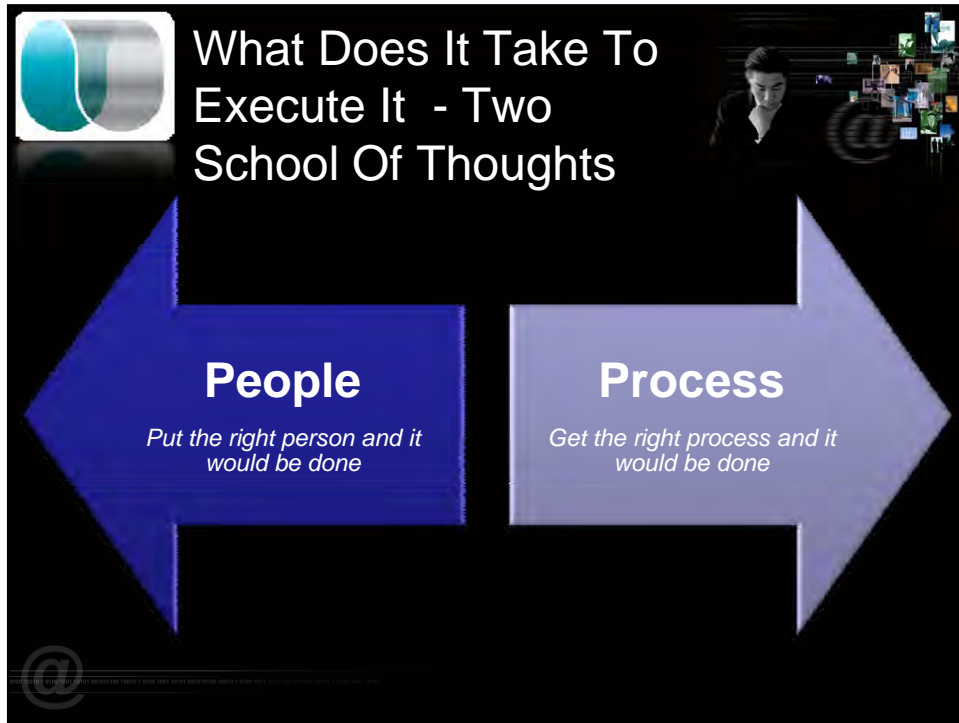


Execution Divide – If People Know What To Do Why Does It Not Happen?

DELIVERING THE PLANNED

- THE DISCIPLINE OF EXECUTION

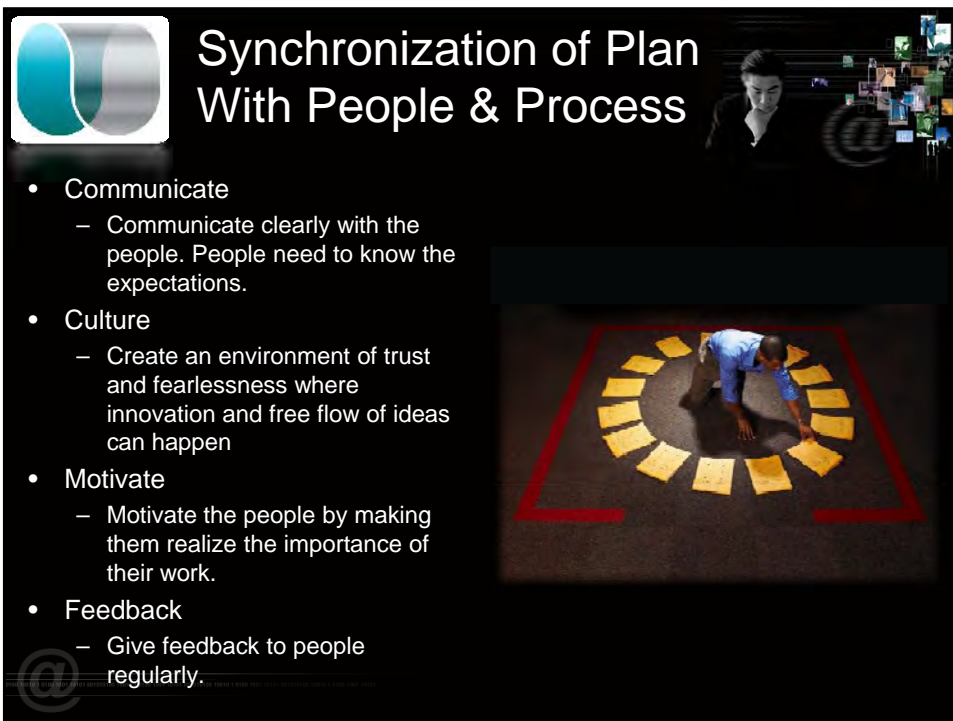







Competent People

- **WHO HAS THE D ?**
 - Roles and Responsibilities (R&R's).
- Organize People in right structure
- Understand skills and competence required.
- Do GAP analysis and Train / build competence if required.





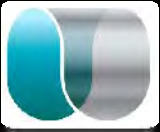
Synchronization of Plan With People & Process

- Communicate
 - Communicate clearly with the people. People need to know the expectations.
- Culture
 - Create an environment of trust and fearlessness where innovation and free flow of ideas can happen
- Motivate
 - Motivate the people by making them realize the importance of their work.
- Feedback
 - Give feedback to people regularly.

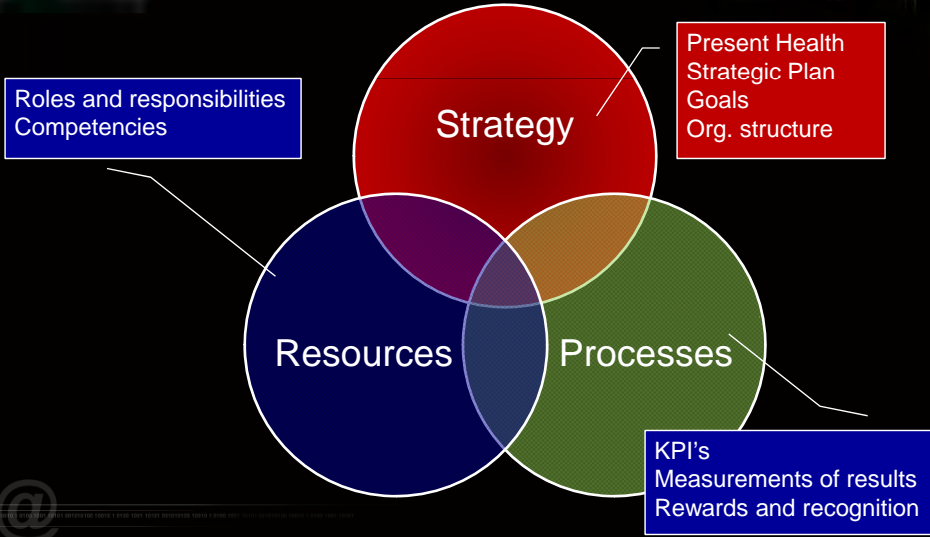


Follow Through The Plan

- Measure performance regularly
 - Decide on the metrics
 - Decide on the frequency of measurement
- Modification of plan
 - Stick to the plan
 - Be flexible and Change / Modify the plan if required
- Plan measurement meetings separately to the functional meetings

Discipline of Execution



Strategy

- Present Health
- Strategic Plan
- Goals
- Org. structure

Resources

- Roles and responsibilities
- Competencies

Processes

- KPI's
- Measurements of results
- Rewards and recognition

