

Survival tips: Ten ways to beat the recession

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Though it's true that we are in a global recession, the media hype is so high that there is panic virtually everywhere.

There is a clear lack of understanding of the word, 'recession'. Economists describe recession as reduction of a country's GDP for two consecutive quarters. An alternate description is an increase in unemployment of 1.5 per cent in a period of 12 months.

The American economy and several others in the developed world weren't doing well in terms of GDP growth for a long time and have now receded into a clear recession with a negative growth. India will have reduced GDP growth of around 6.5 per cent during 2009, according to Government's estimate, while some international forecasts are around 5 per cent. China may end up with 6 per cent. The story in other emerging economies such as Brazil and Russia isn't different. In summary, one can conclude that the developed world will have a negative growth and the emerging economies will have lower positive growth in the range of 5-6 per cent. However, the overall growth in World Economy is estimated to be a meager 0.3 per cent for 2009.

Demand bettered

The most important thing for all of us to understand is that recession does not mean zero demand nor does it mean the collapse of the economies. However, it does mean drop in demand across industries and services and other effects such as reduced liquidity and an increase in unemployment. The Governments as well as the businesses have an active role to play



A customer looks at clothing at a shop in Rome, Italy. Italian retail sales contracted for the 24th month in February as the global economic slump hit spending, and consumers put off purchases to wait for government rebates to begin.

in dealing with the recession, such as the present one. Governments deal with it by a combination of strategies which include, deficit financing, interest and tax cuts, financial pack-

age and relief measures to sick but critical sectors or companies etc. For a corporate company, any strategy to beat recession must be compulsorily aligned to meet newer challenges of

changed customer requirements and thus companies need to revamp their marketing efforts.

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Despite this somewhat bleak and gloomy scenario, many companies can actually perform better and grow even in a recession. Companies, 'need to do better' at what we generally do in a recession as compared to a normal time. This means we work more proactively and efficiently, critically examining every micro issue and deciding the best course of action. Let us now specifically look at a set of common strategies for a corporate to beat recession, which need to be adapted to each situation accordingly.

1. Evaluate critically human resources costs

- a) Review HR costs and productivity.
- b) Examine scope to cut indirect costs which have nil or low impact on productivity.
- c) Stop recruitments unless for new activities or those which can be classified as critical.
- d) Combine tasks and redefine job responsibilities.

2. Revitalise the marketing process:

Implement suitable training programmes to harness skills to deal with the changed situation. Look at some of these ideas and action them, if appropriate.

- a. Retain your existing and long term clients, especially those who contribute the bulk of your revenue.
- b. Focus on top clients of your competitors.
- c. Reduce brand building ads and shift focus on tactical advertising.
- d. Don't drop prices as may be demanded. Instead offer more value to customers.

3. Cleanse the organisation:

Look seriously at attitudes of people. As there is a temporary shift to an employers market, use it to your advantage and cleanse the organisation. Don't behave like a mercenary; use the time to build good will too. Deal with terminations with a human face and after giving adequate opportunities and fore-warnings. Provide adequate training to employees in functional areas to excel better.

4. Buy efficiently:

Look at means to reduce raw material and outsourced costs. A

good approach is to think, as if we are starting a new company from scratch and look at methods to buy efficiently.

- a. Look for new suppliers, with better or similar quality but better terms
- b. Renegotiate with existing suppliers

5. Improve productivity

- a. Improve overall productivity at all levels cutting across functional areas. Fix new productivity targets
- b. Develop indices to measure productivity. Common indices are revenue per manpower rupee, revenue per marketing rupee, average revenue per client, billable man-hours, machine down time, wastage percentage, etc.
- c. Give a blanket but reasonable target to departmental heads to cut costs. Expense areas where this can be done in general with least impact on productivity are telephones, tours and travel, stationery and peripherals, office expenses etc

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6. Efficiently manage cash flow:

Cash flow management is very critical in a recessionary situation as clients may take longer to pay and general liquidity reduces. Postpone if possible major expenses with heavy cash flow implications such as capital expenditure and look at methods to entice customers to pay early if not in advance.

7. Communicate: It is necessary to communicate both the challenges being faced by the company as well as action plans devised to all stake holders-shareholders and employees. Also as appropriate and relevant to customers and suppliers.

8. Plan for future:

Recession is temporary; prepare for the boom which follows. Be the first to take advantage when the boom returns. Don't change long term plans, but review them in the current and changed circumstances and modify them, if required. Rebuild your think-tank in the organisation, if required.

9. Look at M&A: As a long term strategy, this is indeed a good time to look at investment opportunities in terms of acquisitions and mergers. There are companies closing down as well as those which run inefficiently and available for a good price. However, funding



An employee in a US retail store which is offering discount sales to attract customers.

new investments can be a challenge.

10. Reduce stress levels: Though organisational pressure does bring out the best in us, it works only up to a point and there after it is counter productive. Look at means to reduce panic and stress levels, which can create fear psychosis. There should be more of focus and less of fear; to improve organisational productivity.

As leaders, we have to provide the right direction to the organisation and empower our people to meet the challenges in a difficult

situation, such as the present one.

Strategies are important, but in the final analysis, they are just tools. Renowned Management Guru, late Peter Drucker, once said, "so much of what we call management consists in making it difficult for people to work". He also said, "The productivity of work is not the responsibility of the worker but of the manager".

I believe, when we understand people, leading them becomes easier. And, it's important for people to

understand, how the management is dealing with a challenge. That's where the importance of communication is. Especially when the going is tough, while we cleanse the organisation and eliminate employees with incorrigible attitudes, it's necessary to keep the rest of the team highly focused and motivated.

This recession teaches us a lot of lessons. To a great extent, the current recession is due to a failed corporate leadership with insatiable greed as much as the failure of the systems.

Recession or a boom, are both cyclical and are an integral part of an economy.

A proactive leadership builds this into its business model and treads on a path focusing on efficiency, all the time.

The importance of communication and people management can never be undermined in any given situation and is critical to the success of the spirit of a business enterprise.

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