

TECniques #101 November 2008

Managing in Challenging Times

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▶ Plan

- ▶ You must develop plans to reflect current reality - don't use the budget
- ▶ Have Plan A and Plan B (10 % worse)
- ▶ Must be team agreed, documented with allocated responsibilities
- ▶ Review weekly against required hurdles

▶ Revenue

- ▶ You will never cut cost fast enough to replace revenue
- ▶ Understand product mix and customer mix to maximise \$ yield
- ▶ Stay close to your customers
- ▶ Motivated sales people are critical – re-incentivise if necessary

▶ Cost Cutting

- ▶ Cut all expenses which don't impact on near term revenue
- ▶ People costs. Follow the hierarchy of –
  - ▶ Cut consultants / contractors
  - ▶ Let casuals go
  - ▶ Make staff take annual leave
  - ▶ Hiring freeze
  - ▶ Salary freeze and salary cuts for the CEO / board – publicise
  - ▶ If you have to cut staff – only do it once and do it hard
  - ▶ Retain your “best” workforce
  - ▶ Calculate the impact of actions both in terms of cash and profit
  - ▶ Before implementing repeat the exercise and cut costs by another 5%

## ▶ Cash Management

- ▶ Businesses fail because of cash flow – focus on cash
- ▶ Review cash weekly against 3 month forecast
- ▶ Squeeze your suppliers but pay small creditors on time
- ▶ Demand vendor funding for big items
- ▶ Focus stock holding on high velocity or high margin products
- ▶ Quit SLOBS (slow/obsolete stock) and remember first loss is best loss
- ▶ Set debtor day/creditor day and stock targets – review weekly
- ▶ Establish a fighting fund from \$ taken out of working capital

## ▶ Leadership

- ▶ Be visible and involved – sleeves rolled up
- ▶ Be clear and consistent
- ▶ Communicate regularly
- ▶ Don't disappear! Invisible men/women don't lead companies