



## *Surviving recession*

It's easy to feel stuck in the current financial situation. What can we do? How can the HR and training departments in particular help the organisation survive?

The aim of this review is to look at some of the issues surrounding the recession, and see what the HR and training departments can do to help your organisation survive.

### **It will pass**

And when it does we need to be in a fit state to profit from the upturn. So keep the upturn in mind, and keep planning for it. Be two steps ahead of your competition. Keep the focus on how your product helps the customer. Make sure you know – and provide – what they want.

When it does pass, the successful business wants to have good relationships with existing customers, relationships with new customers, a motivated core staff in place that can be expanded quickly, and goods and services that are relevant post recession.

### **Sell, sell, sell**

There is demand out there. The sales may be harder to close, and there is more competition for the sales, but they are still there. Look after existing customers – there's no point making the job harder by neglecting them and letting the competition pick them off. Customer care is more important than ever.

Make it easy for your customers to do business with you. How easy is it to buy over the website? If you have a telephone menu system, how easy is it to get through? At Attainment Training we have come across some menu systems that actively deter the caller from talking to someone, as well as phones that ring unanswered.

Make sure all your marketing material is providing the right message. One training company is offering a programme called Best Year Yet. Their website lists clients who "have achieved great results by using Best Year Yet." One of these is the Royal Bank of Scotland... possibly not the best message to give! There is a lot of material about your company in the public arena – has anyone read it recently?

Keep aware of how your product helps the customer, and why they buy from you. Make sure you know – and provide – what they want.

Make sure your sales team is selling for profit, not volume. For example, if you sell 10,000 units a year at £100, that's £1m sales. Your sales team might know that if they drop the price by 5% (£95), sales will rise by 10% (11,000 units), which is £1.045m of sales – which sounds

like a 4.5% improvement. But if the goods cost you £70/unit to produce, the £100 sales price gave a *profit* of £30/unit. That's £300,000 over 10,000 units. Drop the price by 5%, and the profit is only £25/unit. Even though you are now selling 11,000, that's only £275,000 profit – a 9% drop.

## **Know where your profit is**

In terms of customers, and products or services the 80:20 rule probably applies. 80% of your profit probably comes from 20% of your customers – and the same for products and services. Make sure you know which customers and products or services fall into the 20% - and protect and treasure them.

Make your products and services more profitable. In the last example, if you can reduce the cost per unit by 5% (£66.50, instead of £70), that's an extra £35,000 profit. That's nearly 12% more profit, for a 5% cut in costs! It will be the people involved in the production process who will know how to cut costs – often by reshaping the internal processes. Sales people can help by identifying the facets of our goods and services that customers don't use or value.

## **Concentrate on cashflow**

By cashflow, we mean money in the bank - this is critical to survival. Every department has an impact on cashflow, whether we are signing contracts with customers, dealing with suppliers, producing the product or service, managing the warehouse, or providing an internal service.

Successful cashflow means negotiating to get the best credit terms, project milestones, and invoicing dates. It means the internal disciplines of getting the invoice out promptly, paying suppliers on time, chasing customers for payment, and keeping projects on schedule.

Make sure the Business Plan is up to date in the light of the recession – and that everyone is aware of the Business Plan and its implications for them – and keep the cashflow forecast up to date to highlight forthcoming problems in advance. This is also a good time to keep the bank in the loop. If you do need their help, you're more likely to get it if they know what's happening.

## **Keep your staff on board**

Many businesses are making redundancies at the moment, to reduce costs. This is often a necessary short term reaction to the crisis. But we need to remember that the crisis will pass, and make sure we are not making people redundant who we will need later.

But staff morale is important as well. It is vital to keep communicating with staff, so they are confident in the company's future. Remember, it is your best people who will most easily find jobs with your competitors if they feel insecure about the future. Now is the time for real honesty with staff. A recent survey in the accountancy profession has shown that more

than 80% accountancy businesses haven't talked to their staff about the crisis (Kato Consulting: <http://www.kato.uk.com/pdf/KATOSURVEY2008.pdf>).

But don't just talk to your staff: keep your contractors in the picture too. Many businesses now have key contractors (or suppliers, subcontractors or other external agencies) that they rely on. When times are hard, less work goes their way, which is the nature of business. But keep them up to date with what's happening, else when you need them again after a long silence, they might have found new customers – your competitors – and be unable to help you.

## Manage performance

But make sure that the performance targets we are measuring are the right ones – the survival related ones. Survival related targets include selling profitably, improving cashflow, reducing the cost of goods and services, maintaining good customer and supplier relationships, and maintaining staff morale. How do departmental and individual performance measures relate to these key issues?

## Activities drive costs

So don't just cut costs, examine all your activities in the light of their cost and benefit. Be specific – not just “marketing”, but which marketing activities are the most effective? Be prepared to cut activities that produce little benefit. How can other activities be streamlined to achieve the same result with fewer resources?

Recognise that organisations (and individuals) do things “because we've always done them”, and do them in a particular way “because we've always done them that way.” This doesn't mean there is no better way of doing them, nor does it mean we need those activities.

We suspect that every finance department in every reasonably sized organisation produces at least one report that no-one reads. Cutting out that unnecessary activity is a step towards reducing costs. (We only picked on the finance department here because at Attainment Training we come from a finance background – we suspect the same is true for HR, sales, production...!)

## Have the right information

The finance department (like most departments) probably produces a wealth of information. Which reports are the *most* relevant, useful, and understood? The nature of departmental reports is that they get added to all the time, and managers end up drowning in a sea of marginally useful information, that they do not understand. Perhaps now is an opportunity to take an axe to internal reports, and prune them until all internal information is relevant, useful, understood, and acted upon.

## Keep training

In difficult times there will be fewer staff – so it is vital that they are multi skilled and effective. Neglect training at your peril!

But training need not be expensive. It doesn't need to be provided by an external agency (not the message you expected to see here!), although specialist experts do have their place. How about:

- lunchtime seminars, led by your people who are good at the job
- a good training library (that is used)
- encourage people to circulate relevant articles
- on the job training
- 1:1 coaching

And don't exclude senior managers and (especially) directors from this. In these times it is absolutely vital that the key people in the company are not blinkered, but have a wide awareness of issues outside their department.

## It's all about people

In a financial recession it's easy to look to the financial leaders to get us out of the mess. But, as this article shows, success is all about people. It's about what our people do and think, and what our customers and suppliers do and think.

The HR department might feel like a vulnerable place to be at the moment – an easy cost to be reduced. But the HR department is the one best placed to facilitate staff across the organisation to look after and retain customers, to reduce costs, to sell for profit, and to improve cashflow.

Take the lead with confidence. The finance department might be leading the way at the moment. But it will be the activities of your people that will change the numbers that finance are measuring.

## How can we help?

This article has probably highlighted several areas to concentrate on.

At Attainment Training we focus on the financial issues, which are so crucial to survival. We can probably help you best with Financial Awareness training – helping staff understand the issues surrounding profit and cashflow, and implementing improvements.

As well as helping improve profit and cashflow, there is a hidden benefit to this training. It gets staff from all disciplines around the table looking at how financial performance can be improved. People come out of their departmental bunkers, and conversations occur like “Well if we knew *that* earlier, we could do *this* better, which would help *you* in this way...” If an HR representative sits in on this course, not only will it improve their financial skills,

but they will also be aware of some of the interdepartmental issues that need to be addressed to help business wide improvement.

## **Contact us**

Phone us on 0121 276 0040, or email us at [alex@attainmenttraining.co.uk](mailto:alex@attainmenttraining.co.uk), and we can arrange a visit to discuss these issues further.