

## The Ten Prospectus Commandments for managing through uncertain times

### 1. Don't get hijacked by your own plans

- A plan is only a plan
- Institutionalise an approach to detecting storms and act before you are forced to. Ensure you know the leading indicators for your business which should tell you if you have a problem. E.g. enquiry pipeline
- Develop your plans for a shorter time horizon than may have been the norm. Whatever you do:
  - Set sensible objectives
  - Revisit these quarterly or sooner
  - Tear the plan up again if it is not achieving its stated objectives
- If stakeholders see this constant process of revision, they will be less averse to, and less shocked, when changes occur

### 2. Be flexible - opportunities may lie in not so obvious places

- Look at your core business in a more systematic manner. Can you sell more of the same or new products into it? Can you provide access to your customer base to complementary products from other manufacturers?
- New markets may be appealing and cheaper to enter. If others are leaving them, it may be a good time to enter.

### 3. Seek bargain acquisitions that enhances your core business

- While it may not be feasible for every company, take advantage of market conditions to acquire companies in distress at attractive valuations where there is a good strategic fit
- E.g. "The surprising insight is that – assuming the core business is worth holding and growing – focused acquisition during downturns should reduce risk, not increase it" - Steve Kaufman, CEO of Arrow Electronics

### 4. Build budgets from the ground up

- Disregard last year's budgets and outcomes when starting
- Use zero based budgeting - start from zero and identify what you estimate you will need to spend over the year
- Challenge all costs and cut discretionary spending that does not contribute to the bottom line
- Identify processes and systems where costs and resources can be reduced, e.g. improve the efficiency of billing systems, identify and reduce time spent by employees on administrative tasks, outsource your accounting, fleet maintenance etc
- Involve employees, customers and suppliers to help you look beyond the obvious areas of cost cutting

### 5. Re-assess your marketing spend

- Spend for marketing impact. Align your marketing spend directly with market opportunity. Try and focus as much as possible on supporting existing / new products / services which are easy to measure rather than at a corporate level where it is difficult to see a return in the short term.  
Ironically, reducing marketing spend can sometimes improve the creativity and innovation with which the money is spent!
  - Don't take your foot off the marketing peddle in difficult times. You never turn off the fuel of a 747 at 35,000 feet!
  - Keep even closer to your customers than before in a more competitive environment. Remember Eaton's, a Canadian retail giant that went out of business because its senior management team lost touch with their customers and marketplace trends
- 6. Focus on initiatives that will generate revenue and reduce costs for the business**
- Internally – Focus on the three or four critical initiatives that will have the most impact on your cost base or revenue streams. Cancel or postpone others that are not directly adding value and are using limited resources
  - Externally – Concentrate resources on the areas which will reinforce the core business. Plan ahead and stay focused on what you do best, not on what you hope to do better than the established players in other markets
- 7. Have an abiding focus on shareholder value**
- Understand the key drivers of shareholder value in your company, e.g. the level of repeat business and its impact on the profitability of your top 20 customers
  - Improve external communication to shareholders and stock analysts
  - Instil confidence in shareholders by being prepared, creating contingency plans and acting in a structured and timely manner
  - Simplify incentive compensation that focuses and motivates managers to create sustainable value
- 8. Work hard on boosting the loyalty of employees, customers, suppliers and business partners**
- Undoubtedly costs have to be managed but treat stakeholders with respect in uncertain times – they will remember this once better times return.  
Sympathise and try to work with them through the cycle
  - Be honest and open with employees about the situation and boost morale so they grab the oars rather than jump off a struggling ship
  - Build customer loyalty by focusing on retention and maintaining strong relationships, i.e. focusing on quality, assessing their satisfaction levels, etc. Instead of offering discounts indiscriminately, reward customer loyalty with special offers or loyalty points or go to them with offers of a price cut, before they come to you
  - Work with suppliers to improve cycle times and reduce inventories rather than forcing price cuts
- 9. Use the increasing availability of talent that occurs in a slowing economy to acquire better people with more appropriate skills**

- Don't replace staff when they leave straight away. Wait 3 months and work on improving productivity levels instead and then decide if it is absolutely necessary
- Hire only for critical positions while exploiting the growing pool of qualified, talented people

**10. Trust your intuition – a timely decision is better than no decision most of the time**

- Don't wait for perfect data, it does not exist. Gut feeling of the more experienced managers can often lead to a better and more timely decision solution than waiting for out of date and perhaps costly information, e.g. Dupont has encouraged managers to develop their intuitive side, resulting in reports of improved productivity
- Have confidence in your decisions-making ability and accept that some will be bad decisions. The 80/20 rule should apply anyway.

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