

Managing in a Recession

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- Ein Unternehmen hat 65% TVK.
- Der Umsatz des Unternehmens ist um 50% eingebrochen.
- Dennoch hat das Unternehmen keine Mitarbeiter entlassen ...
- ... und auch sonst seine fixen Kosten nicht verändert.
- Jetzt macht das Unternehmen keinen Gewinn mehr ...
- ... aber auch keinen Verlust.
- Wie viel Gewinn hat das Unternehmen vorher gemacht?

Problem

- In a recession your profits disappear very quickly. A small drop in sales has a huge impact on profits and cash flow.

		vorher	nachher	Veränderung
Umsatz		100	75	-25%
TVK	50%	50	37,5	
Durchsatz		50	37,5	
OE		40	40	
Ergebnis		10	-2,5	-125,0%
Umsatzrendite		10,0%	-3,3%	

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- Therefore the very high management interest in cash flow and getting cash flow quickly. How can we get cash flow quickly?
 - Lowering inventory levels is not that easy since the (popular) stock we can sell needs to be replaced to sell more while selling slow movers might take too long.
 - At the same time firing people to save cost is expensive (once) and we may well need these people when the economy picks up again – will they be available?
 - New and better products are not really the solution as they mostly take a long time to develop and introduce to the market.

Solution Direction

- A business needs a decisive competitive advantage to gain market share rapidly from competitors – without relying on new products.
- To gain such an advantage requires the ability to rapidly, significantly and quickly help clients with the exact same problem your business has – the need to generate cash quickly.
- The direction of the solution must be one that solves (or reduces) client's current problem (cash) without aggravating your own company's cash situation.
- If you sell more, cash will be coming in.

Solution

- Speed up the Supply Chain & Make it Reliable
 - Clients hold stock of your products because your lead-times to them are too long and your due date performance has some level of unreliability (on top of that their own requirements are uncertain).
 - With TOC (Theory of Constraints) companies have been able to rapidly implement significantly shorter lead-times with, at the same time, much better reliability. A significant improvement attracts customers because they can reduce their stock levels without damaging their own performance to their customers.
 - The solution has even greater appeal because in order to achieve speed and reliability the supplier (you) must at the same time reduce inventory levels within his own system – a real win-win solution.

Impact?

- Remember that a relatively small decline in demand has wiped out all or most of your profits. If you can gain a similar amount of business due to the performance of your supply chain this can restore your profitability to pre-recession levels.



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