

Preparing For The Coming Recovery

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“Those who cannot learn from history are doomed to repeat it.”

- George Santayana

The US Economy has recently experienced some very difficult times. Companies have seen inability to fund their operations, have felt the need to lay off valued employees as their business volume declined; some companies have ultimately gone out of business. Companies in a survival mode have severely cut or eliminated training programs, advertising and many other “nonessential” activities. And history shows us that these types of reactions have commonly occurred during other periods of economic decline.

But what have we learned from this history?

First of all, the economy will rebound once again. This current period of economic difficulty is not unique in the history of the United States. A look at recent history reveals that there has never been a continuous 10 year period without a recession.

According to Ralph Keller, of the Association for Manufacturing Excellence, “*in February 2000, the NASDAQ average was at 4700 and by September 2002, it was down to 1170, representing a decline of 75%. In January 2000, the S&P 500 average was up to 1500 but, by July 2002 it was down to 815, a 46% drop. In the current markets, the NASDAQ has fallen 54% from its 2007 high while the S&P has also lost 54%.*”

When each rebound occurs, history also demonstrates that most companies once again begin to increase production or services, as customer demand rebounds. Companies once again rehire to meet this increased demand. Business returns in the good times, and employment, processes and output once again return to their previous levels.

But what will we have learned from History?

Those companies who do not use their time now to identify Waste and Inefficiency will most likely revert to the previous status quo, with all the inherent Wastes and Inefficiencies (and their associated costs) still present in their processes. These non-value-added activities will result in the need to

rehire more people to perform those tasks – and the associated higher training costs to provide basic training for these new workers. No real changes or improvements are realized – just a return to the previous status quo.

A Better Way

Those companies who truly learn from history will have spent this recessionary time in a manner with more far-reaching positive results– by aggressively looking for and eliminating waste and inefficiencies in their operations. They will be actively involving their workers in these activities instead of furloughing or terminating them. As these workers become more efficient in their work (and more loyal to the company), and the company becomes more efficient in its processes, the resulting cost savings translate into more competitive pricing. These progressive companies then begin to get a bigger piece of a shrunken pie, maintaining or increasing their sales – and profits.

Some companies who have learned from history have experienced just this type of growth – even in the current recession. But many other companies haven't learned from history. They've done what they've always done – lost business, cut payroll, lost valued worker skills, or even gone out of business.

It's Not Too Late

Even now, your company can still learn from history and begin to benefit from these history lessons. During this slow period at your company, instead of layoffs, use your workers to help identify and eliminate waste and inefficiency from your operations. Use tools to allow more just-in-time processes to reduce your inventories and improve cash flows. Adjust your pricing structure to reflect your true reduced costs. Continue to aggressively market and advertise your more competitive prices. Before you know it, you may begin to see new business coming your way, as your customers move business from your higher-cost competitors and send it your way.

As business increases, encourage and lead your core team of workers to aggressively continue the relentless pursuit of non-value-added activities, so that your process outputs increase even more, without adding additional workers. Optimize Just-In-Time processing to minimize inventories and further improve cash flow.

Sound Impossible? It's not. History is a powerful teacher, if we'll only take the time and make the effort to learn from it.

McGan Business Solutions can help your team learn from history. We can teach your team Lean Management methods which can serve as the foundation to achieve lasting results for your company's future. Then, when the next inevitable recession comes along, you'll be ready for it – and probably use it to become yet even stronger in your market.

Contact *MBS* today to discuss our “teach to fish” training approach to ensuring your company's future.

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