Waiting for Good Times to Return

Faced with poor business in an economic downturn, companies review their operations and strategy.

BY GOH SIEW KHENG

THE ECONOMIC climate is becoming bleaker: retrenchments, wage cuts, slower growth, and for some, no growth. For some companies, an exit from these troubles is to review its operations.

"What can we do in this turmoil period?" asked Gordon Goh, manager of maintenance products and marketing communications, SKF Asia Pacific Division. He said that some managers did not feel the impact as much in the last recession. The company has invested in other markets that were growing. "Somehow," Goh said, "we were able to compensate the reduction in profits from one market with profits from another."

He also pointed out that the crisis then was not so wide-scale. "Today, we've to look at the industry as a whole," he added. "If production in one industry is affected, the related industries will also be affected." In the current situation, Goh said that the company's key markets, such as Thailand and Indonesia, are facing financial problems. Some customers in Indonesia are also facing difficulties in their debt payments.

"This is a situation we've not encountered before," Goh said. "There're lots of uncertainty. None of the people has forecast the crisis to be this bad. People are slowly beginning to be more realistic in their thinking. They're realising that it will take the companies a few years to recover."

"There will be a paradigm shift in the way we do business," said Goh. "During these two to three years, we've to re-look the way we do business." He suggested that managers exercise creativity in the thinking process. "Can I find a better source to give me a lower cost? How do you encourage your customer to stick with you? What can we do beyond the conventional box of thinking?"

When pursuing these options, Goh advised managers to look at what other companies are doing. It is important for companies to see what their customers are doing and the problems they're facing. Some customers, he said, are facing tremendous pressure to reduce cost. Instead of losing these customers, Goh said that managers should look for creative measures in strengthening the relationship.

In the review process, Goh advised managers to be realistic. "We've to think through who we want to do business with. We've to let go of some business if they're not viable."

SKF, which is a Swedish-owned company, manufactures ball-bearings found in consumer and industrial products. The Singapore office, which serves as its headquarters and distribution centre for

the Asia Pacific region, has been in Asia for 25 years. Some of its markets include India, China, and Korea.

Manufacturers from Japan, Goh said, are one of its biggest competitors. Facing intense competition from the Japanese manufacturers, the company has been increasing its presence in the Asian region in the last 10 years. Its vision is to become the market leader. The company has, henceforth, developed the SKF100 plan to fulfil this vision. The plan is built on four values: costs, growth, quality and speed.

Goh said that the company was entering into the first year in the SKF100 programme when this crisis happen. As a result, he said the financial figures, which the company has forecast, has changed. The vision has not.

Operating on its four values, SKF aims to reduce business cost. The company, Goh said, is maximising the use of its current resources to achieve this objective. It doesn't intend to use new resources to grow. Instead of travelling overseas for meetings, managers will use teleconferencing as a communication tool. This way, the company will reduce its business expenditure. With respect to human resources, Goh added, this is a time for companies to train or retrain their staff. Training and development can maximise the work abilities of the staff.

Another of the company's goal is to build up customer loyalty. With a focus on quality service, Goh said, the company is adopting a "linking" approach where it goes into strategic alliances with other companies. It is easier for two suppliers to work together to win one customer. Today, as a single supplier, it may be difficult to provide all the needs of one customer.

Asia-Pacific Connections Pte Ltd (APC), a marketing services company for the information technology (IT) industry, has also re-looked at its core businesses in the midst of an economic slowdown. The company has re-aligned its customer base with IT companies with "high-end" products, as that is where the growth is in the IT industry.

Explaining this move, Cindy Payne, managing director of APC, said that IT vendors cannot just sell products in the current economic situation. Instead, many vendors and channel partners are offering "solutions" selling as part of their sales and marketing strategies. This type of selling requires a high level of customer service. To provide this level of service, many IT companies are looking for service-oriented channels.

On the other hand, some companies, specifically those with commodity products or consumer-driven products, are finding it difficult to invest in new areas now. Even the growth-minded companies such as those in the networking and enterprise business, are being careful with their marketing dollars. Many are watching headcount and outsourcing their marketing to third parties. Payne said her business has grown considerably because of this reason. The company's total revenue has increased by another 20 per cent from a year ago.

Many of Payne's clients are US-based companies with regional offices in Asia. Many of these companies are taking a long-term approach in this region as they are still bullish on the IT industry in Asia. Therefore, some are still investing in the markets.

Though the IT industry growth rates have slowed since last year, Payne said that the company is still in a good position. In the last six months, business has been strong in Greater China and Australia as well as pockets in Asean.

Historically, most of the business has been based on long-term contracts. With the increased trend in outsourcing of marketing projects, Payne's business has seen an increase in the project side of the business. The company customises all its marketing services for its clients.

APC, which employs a staff of five, has been operating in Asia for five years. It has an affiliate office in Korea. The company emphasises its business in four areas. Under distribution channels development, the company helps clients formulate strategies for market entry and channel partner selection. The marketing communications functions provide services in branding, public relations, and media placement. It is also involved in recruitment for the IT industry. Some of its clients include: Hewlett Packard, IBM, and Miller Freeman.

While some companies are finding ways to cut costs, Payne's company does not have such intention. She said that the company is service based, and therefore, cannot afford to cut corners in the front or back offices. "We need the latest technology to run the data that we need to service our customers," she said. The company is investing in new staff, equipment, and promotional materials.

"At times like this, you've to be able to provide a very high-end service through means that are proactive in matching customers' requirements and doing little things that make you indispensable to your client," she added.

Adopting the same approach, Goh from SKF said that most businesses will be affected by the economic downturn this year. "When good times pick up again, and if you're doing all these measures, then, you will be ready for the growth. Look at the current situation as an opportunity to grow new business."

Like Payne, Goh is also continuing to invest in the core asset of the company – people. Managers, he said, should keep the good workers in the company, and not lose them to competitors. "You should build the competence of the people. If not, in good times, there is no one to drive the company. The key thing is that if we can cope with this crisis, we can come out stronger."