

Financial crisis management

Consultant Andreas Dür shares the dos and don'ts of managing a cash-strapped company with Kathryn Semcow

Andreas Dür may be only 31 years old, but he certainly knows what he is talking about. One of the founding members of Xvise innovative logistics, the consultancy arm of Austria's leading private freight forwarding company Gebrüder Weiss Schweiz, Dür has offered advice to some of the region's top retailers such as Jumbo Electronics and Jacky's Electronics. He has helped to redesign entire supply chains, for example developing food retailer MH Enterprises' procurement, inventory, warehousing and distribution systems, as well as implementing HACCP standards throughout the organisation. His clients cover all sectors.

"It doesn't matter what industry you are in," says Dür. "Logistics processes work the same everywhere."

Thanks to the financial crisis, the logistics industry is also struggling everywhere, particularly in Dubai. "This is very obvious," says Dür. "If you drive from the port to the airport, you see it. There is nothing more to say."

On a positive note, Dür says a shortage of cash in the market can push a company to restructure its organisation for the better. "When I came to Dubai three years ago, the biggest thing companies were lacking was not infrastructure, not IT. The biggest lack was team structure."



PROFILE

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"When we do consulting, we don't talk about an IT system, we talk about the organisation. Are the processes the right processes? Are the workers efficient? Do they have too many employees?"

"This situation, at the moment, will help organisations to work on these topics," he adds.

Do

Dür says there are several ways a company can improve its cash position, for example, by reducing its inventory. "The first thing I do when I enter a company is ask, 'What is the turnover rate of an SKU in the warehouse?' In a lot of companies, especially retail companies, people have not touched articles in their warehouse for more than one year." He says inventory stocks are binding capi-

tal that can bring a company down. He suggests price activities such as sales to push the inventory out. "This must be decided on a case-by-case basis, because just reducing prices can sometimes have the opposite effect, as well," he adds. "Bringing down prices without logic behind it can lead to deflation. This, as well, is not a good scenario."

He also suggests reorganising the warehouse and warehouse staff according to client needs. "A lot of companies are overstaffed because they do not divide between clients who need a 24-hour delivery, a 48-hour delivery, or a three day delivery," he says. "They see every client as the same client." He says this strategy can help staff work more efficiently and thus reduce the number of people on the payroll. "This as well is better customer service – to understand what the client really needs," he explains. "If a client needs a delivery in two days, then he most likely does not need it tomorrow, because he won't have space in his warehouse."

The service provider could even charge different rates according to requested delivery times. "Then you can switch the warehouse from a cost centre to a profit centre," he says.

Customer service also takes a priority in these times. "When you don't want to offer more by lowering prices, you can offer better service," he says.

Don't

Dür says managers should avoid cutting certain costs, such as staff training. "I would be very careful with cutting trainings," he says, emphasising that this can help improve processes within an organisation.

"At the moment, you have to see how you can bring down costs. But you have to decide what is absolutely necessary for your operations, what is not, and what will keep you in the business in the long run. You have to look at the future as well and be prepared. You cannot stop everything, because the moment things improve, you will be behind."

He says companies should avoid laying people off without a well-laid out strategy. "It's not enough to reduce staff without having a proper plan. This is the wrong signal. If you don't know why you are doing it, it's the worst thing you can do.

"When you reduce the staff you need to make sure that when the economy starts growing you can still be in business. Then you need to make sure that the people you have are able to run the show afterwards." The worst thing a company can do is go into panic mode and stop all investments. "You need to say, 'What is the scenario?', 'What investments have I planned?', 'Why have I planned these investments?', 'Which investments do I have to make for the long run?', 'Which investments can I stop?', 'Which ones can I hold back?', and still keep on going, going, and still invest a bit," says Dür. "The worst is doing nothing."

He says that while in the Middle East many investors are putting projects on hold, Europeans are continuing most of their main investments. "I understand why," he says. "Companies here are not used to such a situation. Neither are the companies in Europe or the US, but at least a lot of the old guys remember harder times. If you look at Dubai, over the past 10 to 15 years, it was only grow-



ing. People here don't have crisis management skills. They don't know what to do. This is the problem."

Still, Dür admits businesses are limited in what they can do and there is no universal solution. "It is very difficult at the moment. I'm being very honest. In the area of efficiency, for example, you can only work up

to a certain extent. If your customers are breaking away then efficiency doesn't help you at all."

So what is the best formula? "The solution has to be a mixture between improving efficiency and cutting costs, and at the same time improving your service levels and keeping your relationships with clients," he says. ●