Management **Downturn**

Right way to manage in downturn

Tom Moore, managing director of management systems company, EBCS, talks about managing a business through a downturn.

For any individual business, it doesn't really matter how you measure the state of the economy. No matter how long the recession lasts or how deep it goes, the critical thing is the ability of the business to deal with it.

The ability of any company to deal with economic, or any other turbulence is governed by two basic things; knowing what needs to be done at the earliest possible point and then being able to do it quickly and precisely.

Knowing what needs to be done depends on the insight and creativity of the management. Doing it comes down to how you have set up the business and how you run it on a day-to-day basis.

How badly or well all this works is a measure of its manageability. Any business, where the chief executive can pick the spot, move the joystick and be confident that the company will move just as quickly and just as smoothly to its new position is highly manageable.

The need for change is constant and there are a variety of reasons why a business may need to alter course, sometimes radically. Recession is just one. A new competitor, the loss of a key customer or technology developments can impact just as much on a business.

A business that is highly manageable can take change in its stride. It will know when it needs to move, it will know where it needs to move to and it will know that the whole company can move at the same time.

Scientists use the term Dark Matter to describe the element of the universe that they can't see and don't understand but know must be there. Manageability is a bit like that. Rather than something you can specifically do, it is a consequence; the result of how well all the elements of management work, both individually and collectively.

On the surface every business is broadly similar and the difference is a matter of degree. Management develops a vision, sets goals, efines roles, delegates , communicates, analyses and uses data, reviews people and processes, motivates and controls. Highly manageable companies tend to make these elements work from the top down. The chief executive starts with the vision and makes everything else support its achievement. Effectively this lines up all the elements and makes them work in a way that best suits what the company is setting out to do.

Some companies are very good at this. There is a clear vision and each manager knows what he or she needs to do and gets on with it. They identify and assess problems as soon as they emerge and have as much time as possible to deal with them. Managers are accountable and have time and space to manage proactively. Companies like this develop an operating culture that is more robust in a weaker economy and can take greater advantage of a stronger economic climate.

The reality is that very few companies achieve this ideal level. In the majority of companies the process is compromised or flawed.

For companies with poor manageability, recession creates a significant challenge or risk. Companies with a very low manageability score tend to do the bits in isolation and don't connect the dots to the same extent. They are usually far less efficient in their use of management time and take much longer to make and implement decisions. Some of the symptoms are typically when, for instance, planning is primarily based on financial projections with a limited operational layer or operational logic behind it. The plans are often aspirational rather than strategic and become sketchier and more open to interpretation as they come down through the management structure.

As a consequence it is difficult to be certain that managers understand what's required or whether they are capable of delivering it. You get unfocused or uncertain managers and you can be well into the year before the difficulties are clarified. Often in these situations, feedback tends not to be clean or clinical and doesn't give individual managers everything they need. This becomes particularly difficult if an manager's requirements are unclear in the first place. Therefore a lot of time can be lost through checking and micro management and an over reliance on one-off or anecdotal analysis. Decisions become a matter of debate, they become personalised and take longer. Meetings can be primarily a series of continuous post-mortems.

Furthermore, management teams are often bunched or "over-bonded" with insufficient space between the individual managers to easily identify performance issues. There is little accountability, lines of responsibility become blurred and there is no real fear of consequence. You will often get dropdown management where managers, to some extent, are doing the work of those that report to them. Frequently companies with a low manageability score tend to have this loose spongy structure that is hard to move and hard to steer. Managers either develop defensive strategies or get frustrated and leave.

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Improving manageability is relatively straightforward. The main requirements are time, and the determination of the chief executive . In order to achieve this, three key focal elements need to be present: ensuring that objectives go down clearly through the structure; ensuring that reality comes back up quickly and accurately; and finally ensuring that managers have the time, space and tools to manage proactively.

In order for the high level corporate objectives to be achieved in any given period, each manager needs to clearly understand what they each need to do as their part of the process. The high level objectives need to be dead-ended or broken down into specific tasks, each of which can be owned by a manager. This clarifies the roles and responsibilities in precise, deliverable terms and creates a uniform, integrated focus across the management structure. If the handover process requires that the manager considers his or her set of objectives and comes back with a general indication of how they will be achieved, then the process becomes locked down to a far greater extent.

This brings far more certainty and clarity to the situation by getting potential issues out in the open right from the start. The plan becomes a solid list of tasks, front line managers know exactly what they need to achieve and have had a chance to stress test the objectives and decide on a broad strategic approach. Middle management can be confident that the plan is clearly understood and they can test the front line managers' ability to deliver before the year even starts. This deployment approach should be quick and carried out at a macro level. It creates a clear and detailed map of what the company is setting out to do.

Once reality has been clarified for each manager around what they're setting out to do, it is much easier to see what feedback each manager will need and data can then be structured accordingly. Feedback has to be based on need rather than a traditional set of reports. The structure has to put managers in control of their environment by monitoring progress on their critical objectives and giving them the means to identify slippage, and its causes, at the earliest point.

For example if part of the sales manager's objective is to ensure all customers buy across the complete product range, then the feedback should be structured to identify those customers that don't and where they fall down. If the logistics manager needs to improve on-time delivery, then the data should show what the current levels and trends are, and also show where delivery is falling down. Feedback at this level creates a radar or early-warning system for each manager and the company as a whole.

Data also has two other dimensions, knowledge transfer and management control, and the feedback structure needs to recognise both.

For example, if you are using downtime recording to help improve efficiency, you can use the same data to capture experience by holding the symptoms displayed and the corrective action taken. If the procedure is that all customer complaints be resolved within five working days, you can use the data to create a countdown on each complaint and then escalate the problem by reporting those missed, or at risk of being missed, to the next manager up.

Organising managers' objectives and their understanding of the reality facilitates a different type of management. If managers know exactly what they need to do, and the status on each of those tasks is clear at all times, then management effort can be focused on the exceptions. If the relevant feedback is always available, then decisions can be based on facts. If managers are clear on what they need to achieve, and effectively have committed to it, then accountability can be a reality.

managers shouldn't have to look for information, the information should find them: when the mundane, rules-driven activity is automated, managers can be proactive and trust that the exceptions, or the need for intervention, will be flagged. This gives managers more time and creates a continuous, clinical, control layer across all management activity. It forces certainty and precision into both the day-to-day outcomes and the management structure itself. It gives management the insight and the mechanisms to respond quickly and confidently.

Improving manageability is not difficult; it is simply a matter of being better and tighter with the basics. Achieving this improvement means that decision-making is better, quicker and less personal. It means that managers can look forward rather than back. Management effort can be focused on achieving the vision rather than fire fighting; micro management and dealing with issues that rightfully belong to somebody else.