

ANOTHER STEP CLOSER TO (THE NEW) NORMAL



THE PRIME MINISTER HAS NOW ANNOUNCED A NUMBER OF MEASURES TO HELP THE COUNTRY AND THE ECONOMY GET BACK TO SOME SENSE OF NORMALITY.

The big issue of reducing the social distance rules from 2mtrs down to 1mtr, will be hugely significant to many businesses, particularly in the tourism and hospitality industry. For many, the option for a haircut is also a very high priority!

All businesses must adapt and provide more guidance for employees and customers, put in place some mitigation steps such as one ways systems for people and access to hand sanitiser, and perhaps flex working arrangements with flexi time to stagger start and finish times and some continued home working. But there is no doubt that the 2mtr rule was at risk of permanently closing many businesses.

There are many other changes that are gradually appearing, and access to many more foreign and UK holiday destinations will begin very soon, as all of Europe starts to try and get people spending again.

However, what is clear to us from many conversations, is that many businesses still do not have a clear plan for how they will run their businesses differently in the next year and beyond. Sadly, expecting things to be just as they were before lockdown, is extreme wishful thinking.

On a recent Zoom session, we presented to a range of businesses from broadly manufacturing backgrounds. The content covered some key issues...

- The fundamentals of running a good business have not changed because of Coronavirus. In fact, it is much more important to drive profitability and efficiency in a recovery period than it is at any other point in an economic cycle. Many businesses will fail in recovery as they seek to win turnover on lower margins and with a weakened cash flow. Don't be one of them.
- Many businesses were already running with loss making products and loss making customers. It will be crucial to identify and address them before you sell/win more of them. Most Healium projects identify a large portion of customers that are low value, low margin, high maintenance, and hence loss making. In fact often 30% to 50% of customers may fall into this category. Make sure that you do a thorough review and take the opportunity to get rid of the ones that will drag you backwards as you seek to move forwards. And certainly identify them clearly so you don't go and win any more of them!

- People are more often than not, the biggest cost of any business. Before you jump into bringing them all back from furlough and open up for business, make sure you have considered whether they are really needed. That may be a capacity issue, i.e. 30% lower sales will need payroll reductions, or it may be a performance assessment, i.e. who were the stars and who wasn't missed? Many businesses have found great efficiencies in remote working or people stepping up into bigger roles, don't waste that opportunity by simply bringing back people on the same terms. Could 'part time' work for some? Is a salary/ position adjustment needed? Do some need promotion and rewards? Can you just cope with less people? This assessment is not about simply culling people, it is about making sure you have the right people, doing the right things, for the right rewards. If you don't do this as you return from lockdown, odds are you never will.
- Technology has been fantastic during the lockdown period. The ability to communicate to many people quickly via social media, or face to face via video conferencing, has allowed people to stay in contact in ways that would not have been thought possible 10 years ago (even if it actually was). Document management and paperless office issues have been forced on many businesses, with huge savings in time and money. Don't let these things slip as you return to your premises and old habits are allowed to return. How will your sales teams generate leads and sales in the next year? Can you stay or move further on-line to improve efficiency? If you don't set the guidelines now, in a year you will find your team back to sitting in cars for hours, racking up costs and damaging their health by returning to classic 'door knocking' techniques.

There many areas where change has been forced on businesses, and much of this has been for the better, or highlighted areas of weakness that need to be addressed. Lockdown release will gather its own momentum and many businesses may soon be too busy to think and plan (Act first and think later has never been a great strategy!).

Change is often hard just because it is change. People dislike and resist it, even if they know it is good for them. Without a catalyst to drive it, many businesses struggle to get employees, customers, and even suppliers to play a new game. Coronavirus has been terrible, but it has happened and it is a great excuse to tackled important issues where an invisible enemy is to blame. Do it now, and don't let a good crisis go to waste.

One final point to reflect on. The 24 June quarter day is when many rent and loan payments fall due. Sadly predictions are that in some sectors only 20% of rents will be paid. This may be the start of the impact that has so far been hidden by loans, grants and furlough support. Be ready for what might come.

THINK, PLAN, ACT

7 SANDY COURT, ASHLEIGH WAY, PLYMPTON, PLYMOUTH PL7 5JX

01752 220979

