

Surviving the recession and positioning for recovery

The challenges and opportunities our clients will face in 2009 and 2010, as a consequence of global economic events, are radically different to those of preceding years. To support them through the coming difficult months, we have developed an enhanced set of services.

The Commercial Imperatives

All chemicals and materials companies face two broad imperatives:

1. Surviving the recession

There will be many casualties, mostly those who were over-indebted at the outset of the downturn. For the majority, survival demands improving financial performance dramatically to counter falling revenue, squeezed margins and cash flow pressures. This will be achieved through:

- Cash management focus company-wide
- Cost cutting - but without undermining the viability of the business
- Growing market share. A sharply declining market affects everyone; opportunities for alert, adaptable companies will arise as competitors consolidate and withdraw from different segments and geographies, and at different speeds
- Maintaining morale and employee focus. De-motivation and increasing introspection is like a cancer within an organisation, and as dangerous as the slump in market demand

- Maximising employees' effectiveness. Changing market conditions affect job priorities; and, where major staff cuts are made, new structures and expanded roles undermine productivity
- Reassuring nervous lenders and creditors

2. Capitalising early on economic recovery and specific opportunities

Recovery will come - but it will not be uniform. Top priorities for embattled companies include:

- Foreseeing where the first waves of recovery are most likely to be - and positioning themselves to be amongst the first beneficiaries
- Foreseeing opportunities that are likely to arise as a result of market and competitive turmoil - and preparing flexible strategies to capitalise on them
- Ensuring the organisation emerges from recession in the best shape, in all respects

By 2012, some companies will be able to look back and see that the recession opened up new opportunities for them. These will be the ones that proactively sought and prepared for opportunities in the depths of the recession, when competitors were totally preoccupied with short-term survival.

What Cerebra Offers

- A highly experienced, expert team, that works quickly and efficiently...
- ...that is empathetic, honest, objective and credible amongst all stakeholder groups...
- ...that knows and understands the chemical, chemical products and materials industry...
- ...that understands the perspective and requirements of financial stakeholders...
- ...and whose involvement can have a major positive impact on the company's performance

Our Role in General

Most assignments have the objective of advising top management on the best course of action in a specific situation. We advocate working with clients' staff as far as possible (e.g. in strategy review/development work), but sometimes an independent approach is necessary (e.g. in reviewing cost reduction alternatives, or advising on organisational changes).

However we are increasingly being asked to conduct 'independent commercial reviews' for presentation to our clients' funding providers. Our team comprises seasoned senior executives from within the industry, with empathy with our clients and understanding of the complexities and difficulties managements must deal with. The output from such reviews is honest and objective, but also highly practical and sympathetic, and is presented in a form suited to the needs of external stakeholders.

Our Services

The primary division of our services is between those with an external and internal focus. Each assignment is tailored to the specific situation and requirements, but broadly we cover the following:

External focus:

- **Market analysis:** What are the prospects for the market segments served? How elastic is short-medium term demand? What specific risks or threats necessitate contingency plans (e.g. the demise of a key account)? Should the company retrench from particular segments? Which segments are likely to evidence an upturn first? How will competitive intensity in each segment change, and what consequent opportunities are likely to arise? How well positioned is the company to take advantage of an upturn?
- **Strategy development:** How robust is the current strategy? Are contingency plans adequate to reflect the most likely scenarios? How should strategy be amended to reflect pressures for retrenchment, whilst balancing positioning the business to take advantage of opportunities and to benefit quickly from market upturn?
- **Cost reduction:** What [additional] cutbacks can be made without undermining market position and the brand? What are the consequences and relative merits of cost cutting alternatives?
- **Metrics:** Are external metrics and KPIs appropriate and adequate for underpinning management decisions and for ensuring lenders have no shocks (which risks prompting knee-jerk responses)?
- **Projections:** Specifically for lenders, we can provide an independent assessment of the realism of management's projections

Internal focus:

- **Orientation, morale and focus:** How is the organisation coping: where are there problems, and what improvements can be made? e.g. Is focus still on the market and customers, or has the organisation 'taken its eye off the ball'? Is morale high, are employees confident in management's lead, and can these be improved? Are employees confident with new/rearranged responsibilities, and working efficiently?
- **Cost reduction:** What [additional] cutbacks can be made without undermining the viability of the business? What are the consequences and relative merits of cost cutting alternatives?
- **Metrics:** Are internal metrics and KPIs appropriate and adequate – and being used?
- **Structures and processes:** Especially where major cutbacks have been made, do the organisation's structure and core commercial processes still function adequately? If not, what needs to be done, (a) short-term, to ensure the business continues to function smoothly, and (b) longer-term, to ensure it is in shape to handle a rapid upturn?

**For an initial consultation, please call
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