



# HOW COMPANIES CAN COPE WITH ECONOMIC SLOWDOWN UTILIZING EFFECTIVE MANAGEMENT TOOLS

It's relatively easy to build a successful business when the economy is on the rise. The real challenge is to face the downturn or sluggish growth rates, which can become a tough test for the companies' competitiveness. Falling demand and rising expenditures are serious hurdles for the companies, which many are now struggling to overcome.

Companies that acknowledge the usefulness of efficient management tools, can benefit greatly in these tough times. We have seen many cases when, thanks to the use of efficient management tools, companies were able to neutralize the negative effects of declining sales by the sizable growth in profit margins.

There are numerous management tools, the implementation of which can significantly improve the internal efficiency of the company, however their awareness and use is quite limited in small and medium-sized companies. Below are some of the tools that we believe are quite relevant for local companies.

#### ■ **Performance measurement / KPI systems**

Performance effectiveness monitoring should not be limited only by the scope of financial/accounting indicators. The more comprehensive performance measurement systems enhance the ability of managers to plan the key indicators, to review and monitor adequately and to take action when due.

#### ■ **Customer Relationship Management systems (CRM)**

In times of crisis sales function for companies becomes more complex and the customers – more demanding. Setting up efficient sales function requires additional efforts in such conditions. But even during times of economic recessions we have seen cases, when companies succeeded in eliminating the effects of the demand decrease due to timely introduction of a well-planned CRM process. A well thought out CRM system enables increasing sales from the existing customers. Very often CRM is wrongfully associated with only IT solutions and the software, whereas, it is first of all a comprehensive business process, which can later be translated to an IT system for a better efficiency.

#### ■ **Cost Optimization tools**

Cost reduction is the first and most common reaction to the deteriorating market conditions. However, without definite and systematic approach those programs are more likely to do harm rather than good.

It is necessary to assess the reduction of each cost item as a separate impact and as a part of the whole system. In addition, the cost reduction projects should be treated in a common project management manner, with deadlines, responsibilities and clearly defined execution plans. Otherwise, companies can put considerable efforts in reducing costs, but then see the costs return to the same levels at a remarkably short period of time.

### ■ **Data Analytics**

The development of information technology allows us to collect massive volumes of information (Big Data). Recently, tools for optimal decision-making based on the data analysis are being rapidly developed. These analytical tools are mainly used in cross-sales promotion (customers who buy certain types of products are offered such products, which increase the likelihood of their purchase), price elasticity, optimal pricing and other areas.

### ■ **Motivation tools**

Companies don't create value, people do. In times of crisis, companies even more critically need motivated and committed people. However, more often than not, we see business leaders that underestimate the importance of that factor. Some critical motivation tools are employee engagement measurement surveys, tools aimed at motivation enhancement, compensation schemes that align employee goals with those of the company, performance evaluation, training and development tools, knowledge gap assessments, etc.

### ■ **Diagnostics of management systems**

Knowing where to start and prioritizing the available issues is a matter of accurate diagnostics. The periodic diagnostics of management systems is a simple necessity for companies striving to continuous development, just like periodic diagnostics of human health. With this tool one can find out where the company's main current issues are, how the change agenda can be formed. This is one of the most important and effective management tools.

We discussed only a few of numerous management tools in this article. With accurate and systematic use of these and other contemporary management tools companies can move to the next level of development even in times of economic crisis.



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