

Winning in times of crisis

INHERITED PAST OR EXCELLENT MANAGEMENT?

The world today is facing a serious economic and financial crisis. It remains to be seen when the system will recover. In the meantime the crisis is sifting the wheat from the chaff in the corporate world. Some enterprises are burdened by cash problems and struggle to survive, while others are achieving excellent results and prepare themselves for the next era.



“Although solid business foundation is essential in times of crisis to perform, the management excellence should be prepared for the future.”

Olivier de Groote

We spoke with Olivier de Groote, Managing Partner Clients & Markets at Deloitte, who has interviewed the CEOs of several companies outperforming the competition, in an attempt to find out how companies can turn the crisis into an opportunity. Which lessons are top managers at Deutsche Bank Belgium, GSK Biologicals, Colruyt, Belgacom and Telenet drawing from the crisis? And which strategic decisions contributed to their current success? The results of these conversations were tested against the Deloitte model 'Winning in uncertain times', which is based on four factors. Together they shed a light on the superior results these companies have achieved in times of crisis.

COMPANY FOUNDATIONS

According to Olivier de Groote, company foundations are based on five elements:

1 Vision and company strategy. Both must be clear, shared by everyone in the company and lead to a transparent market positioning.

After the crisis

We do not have a crystal ball and will leave it up to macro-economists to predict the end of the crisis, but we do note that just about everybody agrees on one thing: when the economy does revive, it will do so suddenly, and it will come as a shock. A shock which may just be equally brutal as the one we are seeing now. The market will require a more thorough regulation, clearer ethics and a return of values in the organisations. Perhaps these are precisely the fields where the real opportunities of the crisis are presenting themselves. So companies have to make sure they are prepared. In normal times financial achievements are often considered a goal by themselves. In times of crisis financial achievements must be perceived as a means, as support for various efforts of today, preparing us for the future. We must be focused on those elements which will allow us to better seize the growth opportunities when the crisis will be over and done with. Our own organisation must be questioned, the market transformation must be understood and we must adapt to it to better serve the customer. Innovation and entrepreneurship, themes which Deloitte will shortly be focusing on, will turn out to play a crucial role.

For more information on 'Winning in times of crisis', do not hesitate to contact us at www.deloitte.com/be

2 Brand. In times of crisis, a strong brand acts like a beacon. A strong brand is a valuable asset, even more so in a period of uncertainty. The goods and services sector for mass consumption unanimously agrees on the fact that a strong brand is considered a strong value in difficult times.

3 Product and services portfolio. A well-balanced product and services portfolio is of vital importance. It is the only way to limit volatility in revenue and ensure a steady cash flow for the company.

4 Company model. It must be clear and efficient in order to stay on course through these rough waters.

5 Financial balance. A strong financial balance is an enabler for success in times of crisis.

Company foundations are not built in one day; they are usually achieved over several years. But once a company has strong foundations, it has an undeniable advantage to bridge a difficult period.

In that context it would be instructive to take a closer look at a telling indicator: the number of companies founded. Interestingly, the number of companies established annually between November 2008 and February 2009 has decreased by 21%. Indicative of the difficulties involved with starting from scratch in times of crisis. Of course, strong foundations are not enough to survive a crisis, but they are often a required condition.

VALUE PROPOSITION

The value proposition – i.e. the offer to the customer – is defined as the sum of attributes distinguishing a product or service. In an uncertain period, the offer must be even more different from the competition. Considering the following aspects may help to achieve just that:

1 Offering the customer a very attractive value proposition, taking into account the specific context created by the current uncertainty.

2 A competitive price setting is valuable to customers during a crisis.

3 Marketing new products or a new combination of products to better meet the changing customer needs.

A good example is found in the Belgian transport companies. The NMBS saw its number of passengers in 2008 increased by 4.8%. This company offers cheap alternatives for passenger transport, linked to an ever better communicated value proposition. The economic context is clearly providing a boost.

MANAGEMENT EXCELLENCE

Management excellence in times of crisis comes down to three things:

1 Is management capable of creating an entrepreneurial dynamic in the company? That 'entrepreneurial spirit' must be able to think outside the box, dare to take risks and be focused on the will to win.

2 Make the organisation as flexible as possible to adapt to new market circumstances.

3 Focus on innovation to be ready to take on the world after the crisis.

Regardless of the opinions on Fortis, the fact remains that BNP Paribas has displayed a masterly example of management excellence – both in form and content.

Another example can be found in the aviation sector, which is going through a rather rough period these days. Sonaca is clearly suffering the consequences, but a single look at the actions taken by Sonaca management to revive the company reveals a large measure of management excellence is present here too, allowing the company to seize important growth opportunities with both hands. Without a doubt, those opportunities are less than 18 months away.

THE COMPETITION

In times of crisis any company's achievements can be deeply influenced by the choices made by the competition. Tough competition can impact the stability of the offer, the quality and the price, but its influence is also felt in the field of take-overs and reorganisations.

A revealing example: in recent years various financial institutions have attempted to support their growth by completing considerable take-overs. Others have invested in complex, high-risk products which were not always clearly understood and therefore poorly evaluated. While these companies are now going through rough seas, those which opted for safety and stability now enjoy an increase in market share.

The series Managing in Uncertain Times is realized by Deloitte

5 STRONG COMPANIES

Five CEOs of well-known Belgian companies speak to Oliver de Groote about the success of their companies in today's uncertain times. They all emphasise the fact that the elements of the model proposed above are key to their success. But from those elements they each value one as the main reason to explain their superior market performance.

1 'SELECTIVE GROWTH IN UNCERTAIN TIMES'



Yves Delacolette, Deutsche Bank Belgium

Deutsche Bank Belgium has been spared of the all too familiar problems in the financial sector. As value proposition for the customer they can boast a financial performance superior to that of the market. The strength of the Deutsche Bank brand and their tenacity in terms of positioning and message are trump cards in uncertain times.

Yves Delacolette stresses the importance of selective growth. He will only accept customers aiming to join Deutsche Bank for the superior offer, not because they want to leave another financial institution. To Deutsche Bank, satisfying a customer is part of the long-term view, not in the framework of an opportunistic transfer. Clearly daily management excellence in a shook up market explains the current achievements of the Belgian branch of Deutsche Bank.

2 'MANAGEMENT EXCELLENCE TO BUILD THE COMPANY OF TOMORROW'



Jean Stéphenne, GSK Biologicals

GSK Bio can boast many years of double digit growth. True to form, even though the crisis is having a definite impact, growth and performance are still in charge.

Brand strength, intense innovation in cooperation with external partners and teaming up with the local economic tissue largely contributed to the success of GSK Bio, enabling the organisation to understand the vital changes in the sector and prepare for the future. Three elements which, according to Jean Stéphenne, will become even more important when the crisis will have passed.

Stéphenne is convinced that the current crisis will force his sector to search for ever more quality. In some emerging economies more than half the available medication has been counterfeited. The GSK Bio brand, synonymous for quality and ethics, will allow all those involved to enforce more quality and ethics in these regions. GSK Bio is looking to support its global development by investing in the local economic tissue and by true openness in the field of innovation.

3 'INNOVATION, FLEXIBILITY AND ANTICIPATION AT THE HEART OF THE BELGACOM APPROACH'



Didier Bellens, Belgacom

The uncertain economic situation during the summer of 2008 gave Didier Bellens and his management an opportunity to show their anticipation skills. They responded by minutely attuning their operations to the changing market circumstances.

Flexibility in organisation, determining priorities and the product range is without a doubt a determining factor in the success of Belgacom in times of crisis. Over the years the Belgacom group has worked hard on that flexibility, even if Didier Bellens stresses that, as in any large organisation, flexibility must remain a continued concern.

Innovation, a factor which is of paramount importance to Belgacom, still remains an absolute priority. It is allowing the telecom group to achieve vital strategic progress, even in today's uncertain times.

The current crisis without a doubt offers a sector as important as telecommunication a variety of opportunities. Ranging from an internal transformation of the organisation in order to better fit the market, to seizing market opportunities. All these elements point to one thing only: management excellence.

4 'STAYING THE SAME WHILE MANAGING GROWTH'



Jef Colruyt, Colruyt

The Colruyt value proposition – the lowest prices – is clearly well-adapted to the current market conditions. However, according to Jef Colruyt two different factors prominently explain the group's growing success: the first is Colruyt's persistent positioning over the years (which is not an impulsive reaction to the crisis), the second is transparency of the business model (efficient at every level of the organisation).

Difficulties experienced by other players in the distribution sector only contribute to the clear positioning of Colruyt.

To Colruyt the crisis today is equal to internal growth and potential external growth. Colruyt is aiming to seize the opportunities presenting themselves... simply by being who they are.

5 'THE ECONOMIC CRISIS COULD SPEED UP INNOVATION IN THE TELECOM SECTOR'



Duco Sickinghe, Telenet

After numerous years of strong growth Telenet has now carved out a stable and solid share of the Belgian market. The product markets where Telenet operates have been relatively unscathed by the crisis. Some are even performing quite nicely in these difficult times.

Telenet's current achievements are better than the market average, giving the company room to focus on strategic priorities: customer satisfaction and convergence between speech, data and entertainment. Duco Sickinghe is keeping a close track of the crisis and its impact and is focused on the implied opportunities for Telenet. Said convergence could in many cases lead to a superior offer to the customer, often at a lower price – which are two key elements. As a result the value proposition for the customer is becoming even more of a central theme. Both during and after the crisis. It is innovation which will be making the difference.