

DOSSIER

MANAGEMENT / STRATÉGIE

While it would be unfair to say that the financial crisis of the autumn of 2008 has impacted every aspect of management strategy, there are clearly lessons to be learned from the origins of the crisis and the way it unfolded. Even if long-term strategies and goals remain largely unchanged, managers have been more reactive to market conditions and have adapted to clients' needs. The flexible redeployment of resources and shifting of short-term priorities have become key elements of successful current day-to-day management. That also requires keen consciousness of the local and global situation, awareness not only of market trends but also of how the authorities and government are reacting to the crisis and their attempts to restore confidence. How are managers coping, and what are the practicalities involved in ensuring that these concrete measures are carried out with speed and efficiency?

Crisis management

CHANGING THE ROAD MAP

The financial crisis has forced many companies to rethink short-term plans and take a long hard look at their positioning. But has it also necessitated a change in attitude to management or long-term strategic thinking?

Duncan Roberts (text), Eric Chenal/Blitz (photos)

"Hindsight is always twenty-twenty," said film director Billy Wilder. Speaking to managers from across the spectrum of economic activity in Luxembourg it becomes clear that, even with the assistance of twenty-twenty hindsight, few claim they could have foreseen the extent of the impact of the financial crisis. "It would be a bit pretentious to say I saw things coming," says Bob Kneip CEO of Kneip Communications on the Kirchberg. "But things were shifting, and at the corporate action level, the eagerness to launch new products, and an increase in request for information, you could sense something was happening." Kneip is the first to admit that his company has been impacted by the crisis, but rather than run scared he and his team have met the challenges they face head-on. "A constant need for change has always been one of the characteristics of the company. But the crisis has been an alarm clock, an accelerator and booster to change."

Across town in Belair, Daniel Schneider of Tenzing Consulting takes a different approach.

"The financial crisis could be foreseen, to some extent, since July 2007, or at least since Bear Sterns in February this year. So it was not a case of waking up one morning in September and thinking 'oh my god! What's going on here?'" Schneider says that a diverse customer base and long-term planning have been his *modus operandi* at Tenzing, and that working as much as possible with retained business and exclusivity helps with predictably in terms of cash flow and revenue planning. But he readily admits that other sectors, such as the retail business, have suffered, and cites his own Kewlox furniture store - one of numerous diverse business interests - as an example.

At NGR Consulting, Associate Director Nordine Garrouche is pragmatic. "Economic theory teaches us, and my own experience shows, that crises are part of normal business life. It's the job of managers and top managers to deal with that reality." NGR has integrated crisis management into the company's strategy planning, with a special committee to help tackle the problems. "One thing we always keep in mind is that opportunities still exist } 62

TEMPORARY MEASURES

The number of unemployed registered with the employment administration (Adem) in Luxembourg at the end of October stood at 10,441, or 4.5% of the workforce. That represents a rise of 5.5% over the previous month and a significant 8.2% increase on the same month in 2007. But that figure does not take into account the number of people taking advantage of the Adem's numerous employment opportunity measures – in reality the number of people seeking permanent full-time employment stands at 13,430, or 5.8%. But there are other figures that make for sober reading. A total of 56 companies submitted requests to take advantage of temporary unemployment measures necessitated by cut backs or halt in production. 44 requests were granted, affecting some 4,785 workers out of the 7,455 employed by those 44 companies. The authorities say they are expecting a significant increase in temporary unemployment requests in November. ● D. R.

60 { *even during the crisis. We have to seek them out and take advantage of them.*” Schneider and Kneip are equally bullish when it comes to new business. *“The crisis has also opened a mountain of new opportunities,”* says Bob Kneip. *“Our business is about supporting the fund industry through the dissemination of information. If we look at that from a consumer perspective, there has been an increased eagerness for newspapers and specialised websites. Investors are becoming more educated. They have been hit where it hurts most, in their wallet, and they want to know why and what they should be doing.”* Schneider says that now is the time to find new acquisition opportunities. *“We have a message when we go to our clients and prospects that they should look at the situation they are in – their market and strengths and competitors – and see whether there are any opportunities.”*

John Mills, Head of Maitland Luxembourg, has noticed that the traditionally more conservative elements are those that are now becoming more active and able to pick up new opportunities. *“The traditional values of stewardship are multi-generational,”* he says. *“I think we will see a swing back to conservative financial management, so those doing that to start with are best positioned in the current situation. Ultimately, the aim of any business is to survive this well, and at the end of the cycle you will be well positioned to pick up market share and take advantage of the opportunities as the cycle changes.”*

FLEXIBILITY TO ADAPT

While focus and consistency remain key, managers also agree that flexibility is becoming even more important. *“It is important to be flexible in a fast-changing environment. You need to }*



**"WE ARE HERE
TO CREATE VALUE
WITH OUR PARTNERS.
WHO ARE ALSO
OUR CLIENTS"**

Nordine Garrouche

Nordine Garrouche, NRG Consulting

Consumer confidence

PURCHASE POWER

Following a meeting with the **Confédération Luxembourgeoise de commerce (CLC)** at the end of November, Minister of the Economy **Jeannot Krecké** has said that there appears to be no variation in consumption in Luxembourg. Indeed, Krecké said that the reduction of fuel prices and subsequent fall in inflation has given consumers more purchase power. The minister went on to list other factors that will help restore consumer confidence, such as the package of fiscal and social services measures in the government's draft budget for 2009, the temporary freeze on government administration charges and the lowering of interest rates by the European Central Bank. The CLC has welcomed these measures and has revealed that many of its members in the wholesale, retail, transport and services sectors plan to undertake significant investments in 2009 – a sign, the CLC says, of the confidence they have in the perspectives for the Luxembourg economy. ● D.R.

62 { have real-time feedback on the measures and actions that you take," says Garrouche. Bob Kneip says that, even so, the immediate reaction to the crisis had to be based on a certain number of assumptions. "You are permanently adapting, if not daily then certainly on a weekly basis. It is a nice stress test on the flexibility of the organisation." **ING Luxembourg** CEO **Rik Vandenberghe** argues that flexibility has always been important at the bank.

"I agree it is more important now, but we have always had a quite lean and mean organisation with very short decision lines and an emphasis on autonomy," he explains. "So we can adapt quickly to the local market while remaining in line with the group's global strategy."

Flexibility involves being able to redeploy resources to meet customer demand, something that requires close analysis of the shifting situa-

tion. "Once a diagnosis is made of what the new priorities are, it is possible to align resources to achieve those higher priorities," says Garrouche. As for Tenzing's strategy, Schneider says that it has not been greatly affected by the crisis, although some changes have occurred as opportunities outside the company's initial specialist field have arisen. "We have become more open and flexible, but not specifically because of the crisis." He cites the ICT field where openings were few and far between last year but have now almost been falling into Tenzing's lap. John Mills argues that flexibility is more about taking on new tasks in addition to focusing on the core job. For instance, before the European bank bailouts Maitland decided to move its clients' assets in affected banks onto its asset management platform. Staff had to drop everything and focus on this for a couple of days, but Maitland's clients } 65

64 { very much appreciated the speed and ease with which their assets were moved.

LONG-TERM RELATIONSHIPS

Indeed, it is customer service that has been particularly at the forefront of managers' thoughts over the past two months or so. Rik Vandenberghe explains that ING launched an immediate communications effort following the operation ING Group made with the Dutch government on a Sunday in October. Already on the Monday morning customers received a lot of information. "I think our clients appreciated that they didn't have to call us, but we called them," he says. "One lesson that can be learned from the crisis is humility. We have to understand the huge responsibility we have to our clients." Vandenberghe has launched specific training programmes – under the label "At Your Service" – during which he visited all teams and support teams and adopted a real hands-on approach. This involves physically sitting next to workers and listening to them explain the precise nature of their job and the daily challenges they face. A subsequent question and answer session with the team helps him explain not only the group's global strategy, but also the strategy in Luxembourg and how an individual's job fits in with that, even if they do not have contact with customers.

Bob Kneip also stresses the need to be in constant communication with clients, explaining to them the changes that are taking place. "That

Inflation DOWN TO 2%

Variation rate by group	November 2008/ November 2007	November 2008/ October 2008
Food and non-alcoholic drinks	+ 3.61 %	- 0.14 %
Alcohol and tobacco	+ 4.85 %	- 0.25 %
Clothes and shoes	- 0.04 %	- 0.32 %
Housing, water, electricity and fuel	+ 4.93 %	- 1.91 %
Furniture, electrical goods and servicing	+ 2.46 %	-
Health	+ 0.41 %	+ 0.08 %
Transport	- 1.05 %	- 2.76 %
Communications	- 0.96 %	- 0.35 %
Entertainment, leisure and culture	+ 0.97 %	-
Education	+ 2.11 %	-
Hotels, cafés, restaurants	+ 4.12 %	+ 0.38 %
Miscellaneous goods and services	+ 2.61 %	+ 0.15 %
Overall index	+ 2.00 %	- 0.84 %

(Source: Statex 3 12/08)

requires far more presence, more activity. It's being out there all the time. And you start sharing stuff that not everyone was previously ready to share, so we bond far stronger with clients," he explains. Daniel Schneider agrees that working on and nurturing long-term relationships is very important. Long-term business relationships are also at the core of NGR Consulting's philosophy, and Nordine Garrouche says they are essential because clients realise that the consultancy is involved in the results of their company. "We are here to create value with our partners, who are also our clients. We really have a new model because we believe in the partnership and we really share the risk of taking the right decision." John Mills believes that relationships are built by adversity. "If you can service your clients well in bad times that will bear fruit in good times. We have proactively increased client communication and we have gone at lengths to explain

what the issues are, what they need to worry about, what they don't need to worry about from a holistic point of view."

HUMAN VALUES

So, values are changing, or at least being reemphasised. But Bob Kneip has also noticed a significant change in the attitude of employees. "What is very interesting is the renewed involvement of teams in corporate life. They are really interested in the animal they work for and want to help make it stronger and more agile, better prepared for the future. Water cooler conversations, which were not always tainted with the best content, are now a lot more positive. The trivial stuff that people were talking about has been forgotten and they are focusing on what is essential." That has perhaps been sparked by a renewed commitment from management to internal communica-

tions. Leadership skills are clearly a priority, but so is authenticity, says Vandenberghe. "I always say what I think and try to do what I say." Kneip agrees that the most effective tool in maintaining confidence and corporate spirit is the unsolicited sharing of information, and supporting that by facts. "It is about accountability and responsibility, and making each and every employee more accountable and more responsible about their own jobs and relative position in the organisation," he says. "You have to motivate people with more than money, but with something you are building," says Garrouche. "Human values are at the heart of our model."

That means that even if recruitment is put on hold and the job carousel slows down, training and career development are still priorities in many companies. "Training, like communication, is an area in which you can never invest enough," says Vandenberghe. "We work a lot on cross-fertilisation and cross-communication between internal teams and we have enhanced our approach to training for those who deal with customers." John Mills goes even further, emphasising one of the core strategic objectives of Maitland Group, which is to hire the most talented people they can find in all aspects of our business. "We have learned over 32 years that investment in talent in times of economic stress pays off when the cycle turns," he explains. The group will continue to recruit in certain sectors, but Mills admits that the crisis has maybe affected the timing of long-term planning in terms of premises, staffing and systems, } 68

67 { and even management structure. "So in the short term we are being more reactive," he explains.

Daniel Schneider has taken a long-term cautious approach to staffing. He explains that he works with low fixed salaries and a competitive variable base, and argues that it is always better to lack one or two people than to have too many staff. Schneider does not want people to worry each month that they are going to be laid off because they earn more than they actually produce. On the other hand, he encourages flexibility in all areas. "From the qualitative point of view, we encourage training even in hard times and provide flexible time for family and even to take a degree which has nothing to do with the employee's job. That is the advantage of a small company. You can have these discussions and find out that what is good for one party might also be good for the other." Nordine Garrouche explains NGR's philosophy of continuing to use consultants to carry out research, even if billable business slows down. "Research is a key element of the business and it allows the consultants to carry on working in a professional capacity even if they are not dealing directly with customers."

COST CONSCIOUSNESS

But even if companies are being more cautious with their expenditure, drastic cost-cutting seems to be on very few menus. "It's not necessarily about reducing costs, but about being cost conscious. About being able to justify to oneself, and to one's board, and one's colleagues and, ultimately, one's investors,

what you are doing with their money," says Bob Kneip. Daniel Schneider says that specifically in a crisis environment unnecessary expenses should be limited, whereas in good times they can be a bit more flexible. "Rent should not kill the balance sheet," he says of his modest offices.

Even areas that might be obvious choices for cuts in troubled times are being spared. Indeed, Vandenberghe is adamant that ING is fully committed to its sponsorship and corporate social responsibility obligations. The bank recently signed a new deal with the City Marathon until 2012 and it will continue the *Chances for Children* programme, which includes a project providing education for the children in Nicaragua. Kneip Communication, too, is maintaining its *Art on Kirchberg* programme – which Bob Kneip says lends the company his own personal touch – and its commitment to IMS Luxembourg. "Corporate

social responsibility is about making sure there is an environment in which we can live and work and our children can grow up," he says.

Kneip and Vandenberghe are also keen to stress the role of the board in the decision-making process. Both ING and Kneip Communication have recently added respected local business people to their boards – **Hubert Clasen** and **Robert Dennewald** in the case of ING and **André Prüm**, **Marie-Jeanne Chevrement-Lorenzini** and **Bernie Waldron** at Kneip. Vandenberghe says that Clasen and Dennewald have helped communicate with clients, as well as providing feedback and delivering confidence. Bob Kneip says the board now provides new perspective on the business, management, production tools and client issues. "They are supportive but critical and hands on. And that gives the board a new dimension. You do not make the type of changes we want to make without a strong board," he says. ●