

# **Principle of Business Survival In a Difficult Environment**

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# How to Go From Thinking to Life Change-Steps

1. When you Change Ur **thinking**, You change your **beliefs**
2. When you change your beliefs, you change your **expectations,**
3. When you change your expectations, you change your **attitude,**
4. When you change your attitude, you change your **behaviour,**
5. When you change your behaviour, you change your **performance,**
6. When you change your performance **you change your life, your results, your business.**

# Today's Challenges

 Convergence?,

 Corporate Governance

 Corporate Reporting

 Fraud

 Improving Business Performance

 Managing Assets; Change & People

 Mergers & Acquisitions

 Operating Globally

 Risk Management

 Shareholder's Values

 Sustainability

 **Global meltdown.....**

# Ice-Breaker

- ☞ **Business is a series of collisions with the future.**
- ☞ **It is not the sum of what we have been but what we yearn to be.**
- ☞ **What are the four emotions that can lead to life or business change?**

# Restructuring-Turnaround Forces

## Internal Forces


- Management Problems
- Arrogance & Procrastination
- Incompetent Managers
- Resistance to Change
- Poor quality staff
- Lapses in internal control
- Bad Resource/Financial Mgt
- Operational Weaknesses
- HR Problems
- Negative attitudes
- High staff T/O
- Major Project fiasco
- Over-leveraging

## External Challenges

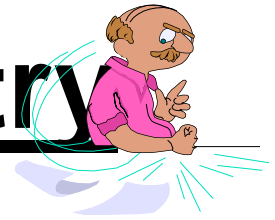
- Government intervention/Regulation
- Economic Recession
- Political turmoil
- Low cost competitors
- Appreciating/Depreciating Currencies
- Changes in Customer Behav.
- Environmental/Health Issues
- Technological Changes
- Natural Disasters
- Change in input supply
- Labour Unrest
- Terrorist Attacks

# Strategy

## Strategy

- Direction & scope of an organization over the long term: which achieves advantage for an organization through its configuration of resources within a changing environment, to the needs of markets & to fulfill stakeholders expectations.
-  **Strategy specifies how an organization matches its own capabilities with the opportunities in the marketplace to accomplish its objectives.**

# Reshaping an Industry



- It is not the strongest of the species that survives, nor the most intelligent; it is the one that is most adaptable to change,
- Companies that make up the industry have faced the need for equivalent of self-administered surgery with no insurance, no aesthetic, and no assurance of long-term health.
- ***We can use the storms of life to rise to greater heights.***
  - ***Achievers relish challenges and use them profitably***

## When Change is the Only Certainty

- Companies & Industries are dynamic at the best of times,
- New technologies, business environmental landscape and customer changing tastes routinely alter the competitive landscapes,
- New companies upend the status quo with low-cost products or services,
- Businesses are always coming up with new ideas that turn markets upside down,
- ...

# Corporate Strategic Restructuring

1. Corporations undergoing operational and strategic challenges normally follow restructuring strategies.
2. This involves changing the current direction, focus, governance and thinking in order to take advantage of the new opportunities posed by the environment or to turn threats into opportunities.
3. Further, restructuring is effected to overcome identified and anticipated competitive disadvantage or weakness challenges.
4. Corporate restructuring is therefore a long-term strategic answer to persistent corporate challenges and imminent failures

# Organizations in Perils

- The exasperating thing about big organizations in crisis is that they get there by doing the very things that once made them big,
- In the last 15-20 years I have witnessed over 30 major firms in peril, and participated fully in six turnarounds or restructurings,
- The experience of troubled coys is a syndrome with four stages:

## **1. Founders articulate their vision**

2. The coys develop steering mechanisms to operationalize the vision & guide the coys through change. Unfortunately the mechanisms become rigid over time, with much stronger ties to the founding vision than to the changing environment,

3. Feedback deteriorates- only signal run to organizational defensive routines

4. Prevent information from being put to proper use.

Key to getting out of this syndrome????( Strategy-espoused & enacted)

# Change Through Persuasion

- Leaders can make change happen only if they have a coherent strategy for persuasion.
- Faced with the need for change, most Mgrs revamp the org strategy, then round up the usual set of suspects-people pay and processes-shifting around staff, realigning incentives and rooting out inefficiencies.....nothing doing.
- Persuasion campaign is largely one of differentiation from the past-How new approach differs from the past-convince people that radical changes are required if it is to survive and thrive
- Turnaround leader must also gain trust by demonstrating thru word and deed that they are the right leader for the job and convince all stakeholders so.
- Thus focus, negotiation and implementation
- **So where do we start????**

# Making the Present from the Future

Org that has a clear grasp of its own assumptions about the past is often motivated to alter the context in which the company is embedded.- **Persistence and flexibility**

1. Assembling a Critical Mass of Key Stakeholders-
2. Doing an organization audit-stakeholders to reveal and confront the company's competitive position,
3. Creating Urgency, Discussing the Undiscussable-competitive weaknesses....,threats-having experienced "death" beforehand, there is not a lot left to fear.
4. Harnessing Contentions-conflicts that jumpstart creative process.
5. Engineering Organizational Breakdowns-identify core competencies we want to build.

# Transformational Leader

- Establish a Great Enough Sense of Urgency-  
**Reality**
- Create a Powerful Enough Guiding Coalition-**Group**
- Build/Create a Vision-**picture of the future that is relatively easy to communicate**
- Communicating the Vision
- Empowering Others to Act on the Vision
- Plan for Short Term Wins
- Institutionalizing New Approaches- **Articulating the connections between the new behaviour & corporate success**

# In understanding the Power of Momentum

1. When you have momentum, keep it going
2. Survive success and reach your full potential - when you reach the top of the mountain, look for a higher mountain
3. Raise the bar, to call for more action and results – if you are not stretching people, you are not leading!
4. Keep the big picture in mind – remember the main goal as you fight daily battles,
5. When your enemy is down, don't let him up – Finish the job. Problems not eliminated today come back to vex in bigger and meaner ways

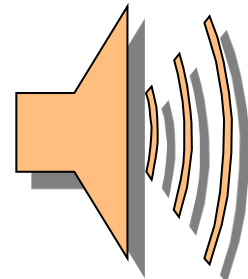
# Leading From the Front Vs Running to the Rear

1. Great leaders lead from the front where the action is – they are better aware of what is going on and are able to adjust,
2. When you play politics your focus is depleted – you become double-minded and take your eye off the ball – If you spend more time on image rather than skills, your reign as effective leader is limited,
3. Character is not made in crisis; it is revealed in it,
4. Leaders that don't listen don't last – They lose valuable feedback and insight; breeding indifference, lack of trust and hostility from those being led.

# Organizational Culture

- ✓ Organizational culture is the “basic assumptions and beliefs that are shared by members of an organization, that operate unconsciously and defined in a basic taken-for-granted fashion an organization’s view of itself and its environment”.
- ✓ This experience is rooted, not only in individual experience, but also in collective (group and organizational) experience which may take forms in:-
  1. Collective taken-for granted assumptions-paradigms
  2. Organizational routines-the way we do things around here

- **Core Values in the organization????**



# Uchumi -Turnaround Approach

- Undertook a diagnosis to determine the changes to the transformational **variables-strategy, leadership & culture**-higher effect on performance of an organization.
- Similar diagnosis on transactional variables (structure, mgt practice, and systems & procedures) and internal capability in order to assure success.

∑ Understanding the Organization,

∑ Appreciating the Environment and its needs and offers

∑ Finding out on important milestones and cornerstones & the burning platform,

∑ How to give leadership on way forward to establish ownership

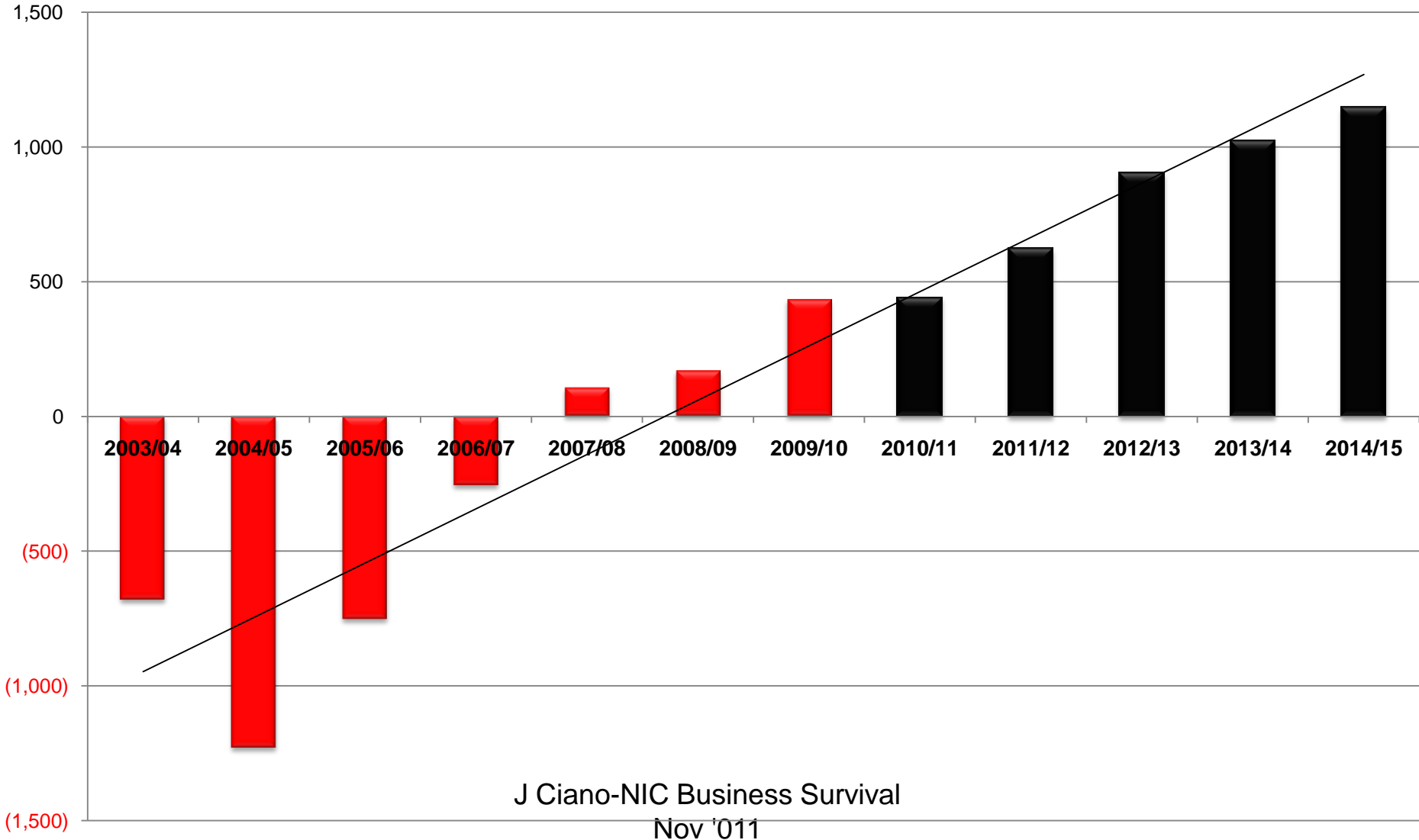
 Crafting of the Uchumi Rescue Plan

# DEBT Management

<b>A) Debt C/FWD</b>		<b>B) Receivership Funding</b>	
•KCB - secured	(521)	• GOK Start-up loan	675
•PTA - secured	(435)	•Debentures –S/holders	211
•Suppliers - Trade	(975)	• Suppliers' Deb. + interest	73
•Other Payables	(246)	• Suppliers' 4 <sup>th</sup> Installment	191
<b>TOTAL INHERITED DEBT</b>	<b><u>(2,177)</u></b>	<b>TOTAL FUNDING</b>	<b><u>1,150</u></b>
<b>C) Debt Settlements</b>		<b>D) Conversions to Equity</b>	
• KCB - secured	521	• GOK Deb. + Interest	356
• PTA - secured	435	• S/holders Deb. + interest	232
• GOK - Principal	182	• Suppliers' Deb. + interest	75
• Suppliers - Payments	652	• Suppliers' 4 <sup>th</sup> Installment	191
<b>TOTAL PAYMENTS</b>	<b><u>1,790</u></b>	<b>TOTAL CONVERSIONS</b>	<b><u>854</u></b>

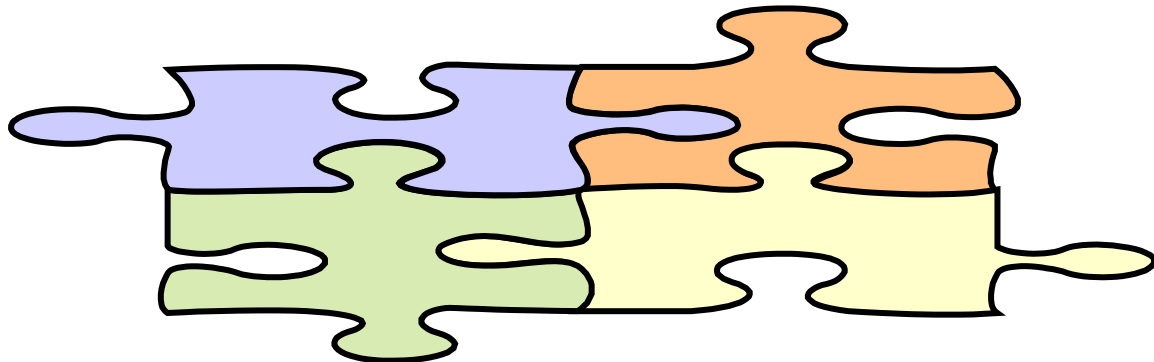
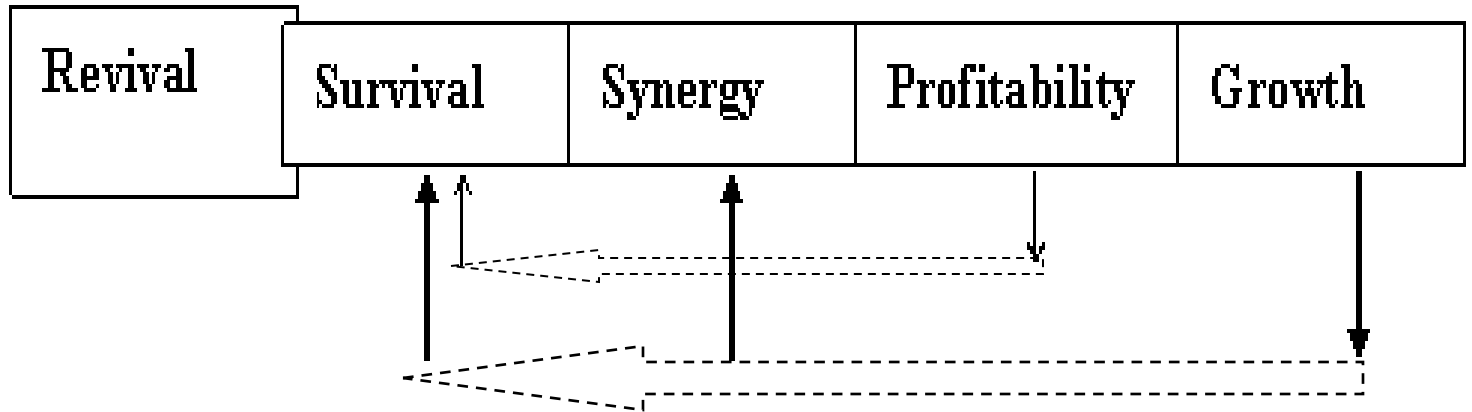
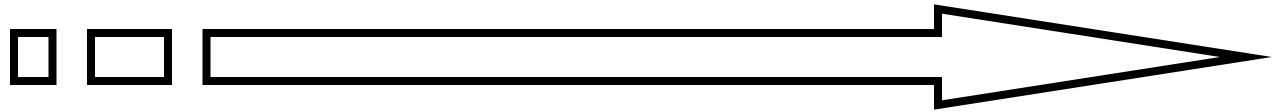
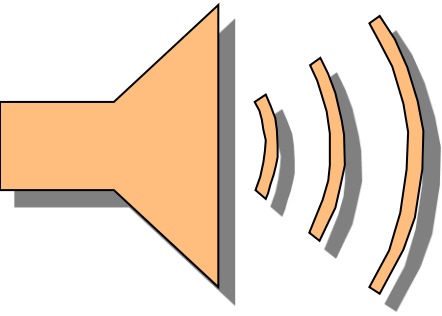
# Profitability

## Profit Before Tax (Kshs'Mlns)

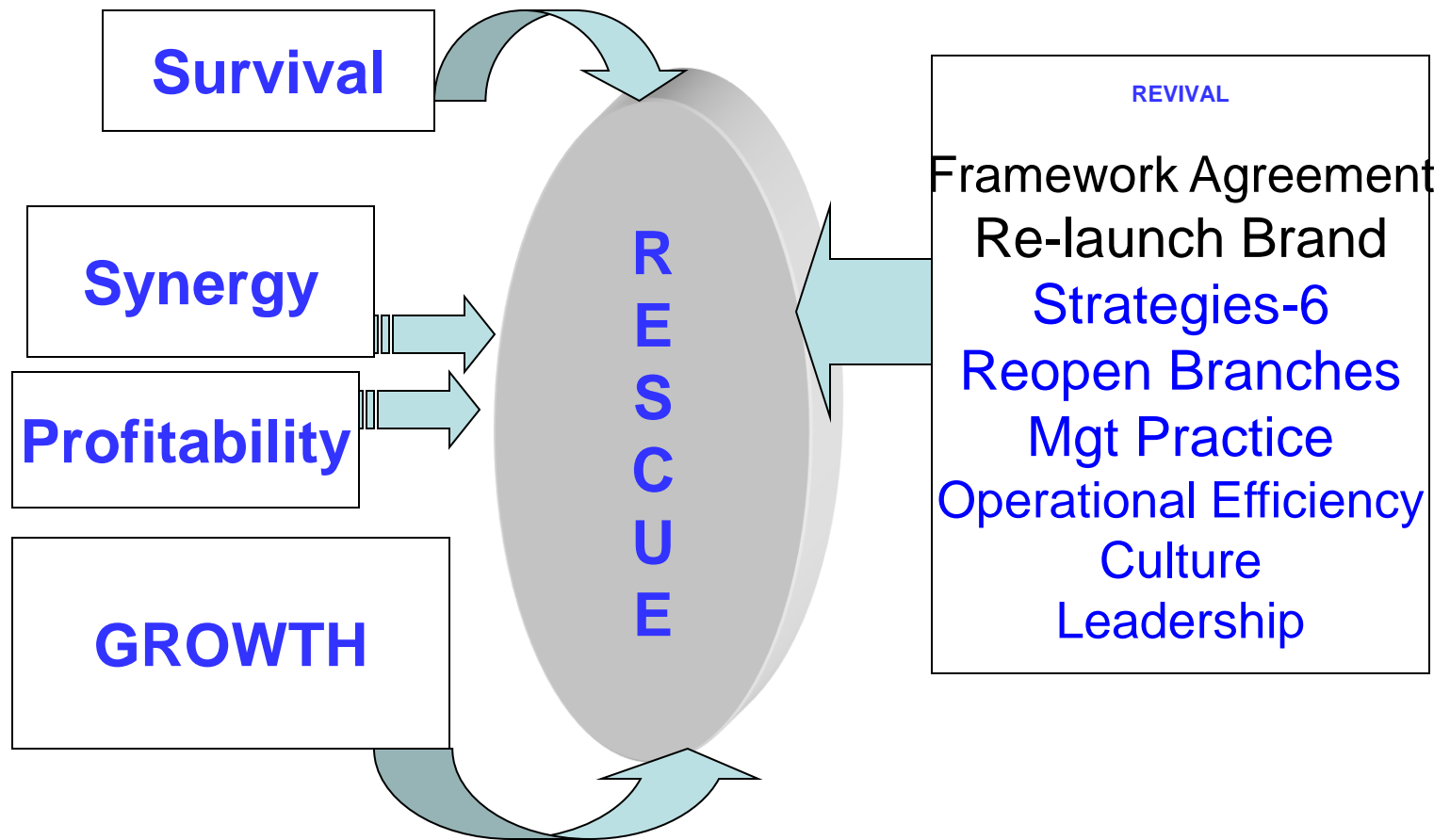


# Rescue Business Model.

## URP



# Uchumi Rescue Plan (URP)



## Tips on Reshaping an Organization

- **Read the Tea Leaves-** Don't wait until the coy is about to collapse to make crucial changes
- **Have a Road Map even when there Are No Roads-** journey with no final destination and no resting place,
- Move expeditiously
- Make mega changes
- To think outside the box, get outside the box
- Benefit by benchmarking and measuring and quantifying
- Focus on customers, and **atomize the strategies**
- Be decisive
- Create one culture one company **& democratize performance**
- Remember that real assets go home at night
- Communicate, communicate, communicate

# Four Important Factors in Change

☞ These factors determine the outcome of any transformation initiative.

- **D.** The **duration** of time until the change program is completed if it has a short life span; if not short, the amount of time between reviews of milestones.
- **I.** The project team's performance **integrity**; that is, its ability to complete the initiative on time. That depends on members' skills and traits relative to the project's requirements.
- **C.** The **commitment** to change that top management and employees affected by the change display.
- **E.** The **effort** over and above the usual work that the change initiative demands of employees.

## Risk Management: Upside Risks

☞ Arrays of countermeasures that address-even embrace-the strategic risks:

- Smart sequencing for growth initiatives-new avenues in immediate market spaces & businesses,
- Using proprietary information to reduce the risk of each initiative- development of distinct competences-prices competition, customer service,.....
- Double betting to minimize the risk of obsolescence-smart managers make double bets (Amazon),
- Shifting the compete/collaborative ratio to avoid a no-profit zone,
- Helping customers control their own risks-mobiles,

# Risk Management: Upside Risks

## Preventive measures

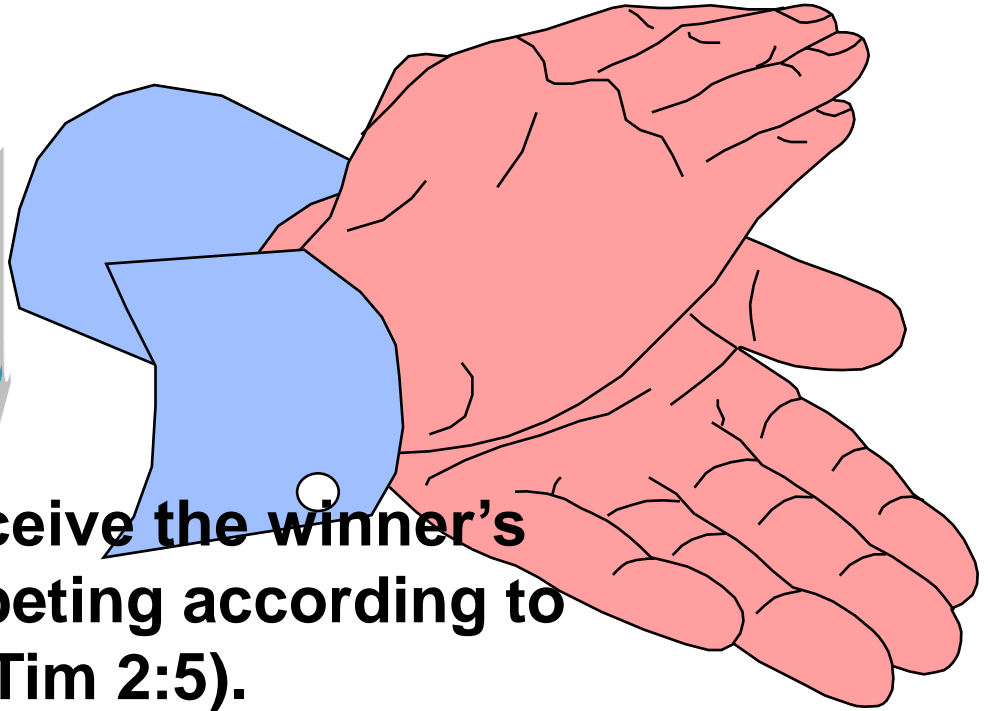
<b>Strategic Risk</b>	<b>Countermeasures</b>
Industry Margin Squeeze	Shift the compete/collaborate ratio
Technology Shift	Double bet, learning organization to manage change
Brand Erosion	Redefine the scope of brand investment/Relocate brand invest.
1-of-a-kind competitor	Create new, non-overlapping business design
Customer Priority Shift	Create & analyze proprietary inform-conduct, market experiments
New-project failure	Engage in smart sequencing, develop excess options- Alternative B
Market stagnation	Generate "Demand innovation"

# Good to Great !!

- To go from good to great requires a deep **understanding** of a crystalline concept- Hedgehog Concept:-
- ♥ What you are deeply **“Passionate About”**- we should do those things we are passionate about.
- ♥ What you **“can be best in the world”** at-
- ♥ What drives your **“economic engine”**- understanding of the key drivers in its economic engine and build its system in accordance with this understanding



# Thank You



**An athlete cannot receive the winner's crown except by competing according to the rules-(2Tim 2:5).**

