



Revive for Growth

Bring growth back to your business by doing better and doing differently

As you have moved to and established new routines, turn to seeking opportunities to revitalize and grow your business. Target new market niches you may be able to tap in with your existing products or something slightly different that makes good use of your core capabilities, competencies and business strengths. Consider alternatives to your business model that might unlock growth in the COVID-19 world. Or stay with your product offer and drive efficiency and quality.

Background

You have been able to restart and get your business going again by working with and problem solving between production, workforce, suppliers and customers. You have established a 'new' foundation for your business. You can start shifting your perspective from problem solving to opportunity seeking to bring growth back to your business. This involves taking risks, in a calculated manner, by capitalizing on what you are good at – a notion that is commonly referred to as core competencies.

Competencies allow businesses to deliver value to their customers. A competency is a set of particular abilities and knowledge that sets a company apart from its competitors. Certain combinations of qualities and characteristics, often called core competencies, can allow a company to thrive in its market segment and greatly outpace its competitors in terms of earnings and customer satisfaction. The test for a core competency is that it is hard for competitors to copy or develop. It can be in many different areas, for example: innovation into cutting edge products; reliability and quality; exceptional customer service; and flexibility to accommodate to specific niche markets or functional segments.

Businesses can develop core competencies by identifying key internal strengths and investing in the capabilities valued by their customers. Leveraging your business's core competency successfully depends on identifying what your company naturally excels at. From there, the key is developing that competency in a way that delivers a significant contribution to your customers and differentiates you from your competitors. If you're just starting a new business, or building new products, this is especially important.

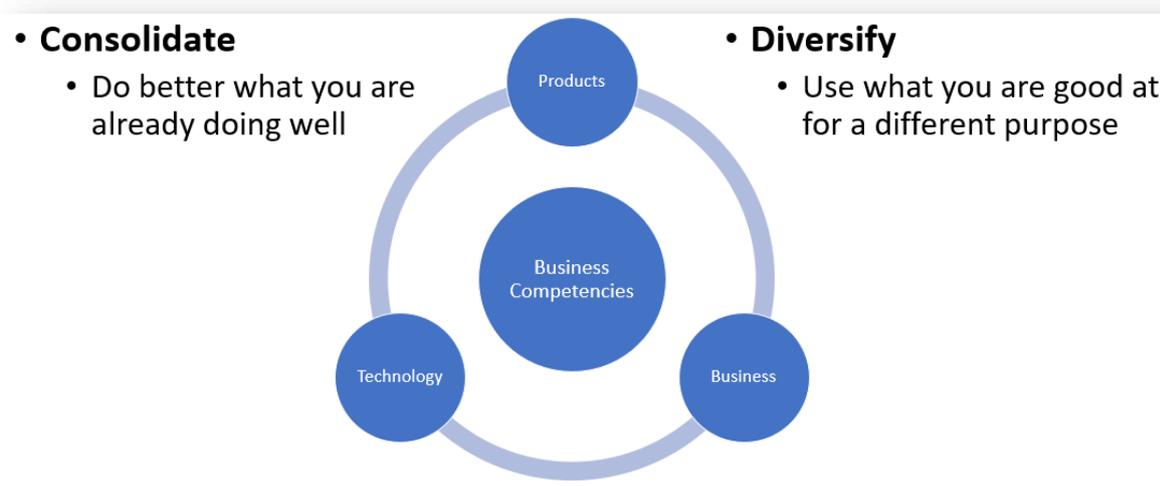
Identifying what your company does well should be relatively straightforward. Those skills at which your team excels, or for which you regularly receive awards, praise or recognition, are at the top of the list. Also look for industry benchmarks your company can regularly exceed or surpass. Next, try to identify the competency that delivers customer benefits most directly while simultaneously setting you apart from the competition.

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In the search for core competencies, you will confirm what your business is good at. Next, you would traditionally grow your business by doing more of the same which though can meet stiff competition especially in crisis times with weak economic and growth outlook. As a strategic alternative, you can also grow by doing better or doing for a different purpose – in short consolidate and diversify which are targeted in this module.

Approach

As a first proxy, the competencies that set you apart from your competitor, could be in your product (e.g. its design, aesthetics, functionality, features, reliability, quality, price, etc.), in your technology (e.g. the mastery of the application of specific technology at specific dimensions and shapes, for specific materials, for specific purpose, etc.) or your business (e.g. the strategy, business models, product and service categories etc.). You can revitalize your business for growth by seeking opportunities to consolidate (doing better) and to diversify (doing for a different application) in each of these three competency domains or through combinations thereof.



Technology

Use your technology better and/or differently

We use the term technology here as a shorthand for the systems, machinery, equipment, utilities, tools, controls, etc., with which you create and deliver your products and services. This is typically a combination of hardware and software, and



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includes management, skills and systems to operate and maintain this technology and create the product or service that is valued by your customers.

Consolidation aims to do even better with your technology competencies, to produce with e.g. higher quality, lower rejects, higher efficiency, lower inputs and costs, lower inventories, or at higher rates/production – in short with manufacturing excellence. Building upon continuous improvements in production and workforce, as elaborated in the module **“Restart to Recover”**, this can be achieved by: further improving planning and management of workflows, through lean manufacturing; improving efficiency of use in materials, chemicals, auxiliaries, energy and water, through resource efficiency; and making more efficient use of data and controls, through automatic controls of processes.

- ✓ **Lean Manufacturing** is based on the principles of pull, flow, takt and zero defects.
 1. **Pull** is the principle of allowing demand to pull production as opposed to forecasting to push production – pull minimizes overproduction and reduces working capital;
 2. **Flow** is the principle of creating a work in process (rather than in progress) that smoothly flows through the production processes with minimal or no interruption;
 3. **Takt** – stands in German for beat or timing, and refers to the pulse or heartbeat of production, such as the cycle time on an assembly line. Let customer demand determine this rhythm and adjust to respond flexibly to changes in demand; and
 4. **Zero Defects** – the principle of fixing problems immediately. Do not allow defects to proceed further down production line, to prevent further defects and maintain quality throughout.

Innovations are found through the application of each of these principles on manufacturing lines and production systems.

- ✓ **Resource Efficiency** is aimed at improving the efficiency of use of materials (including chemicals, auxiliaries), energy and water, in manufacturing processes and the utility operations, such as boiler and steam systems, water and effluent treatment, etc. It operates to improve three types of key performance indicators:
 - **material productivity**: units of productive output per ton of input materials, for example, in bricks sector, number of bricks per ton of raw materials used (clay);
 - **energy productivity**: units of productive output per unit of energy used (e.g. kWh), for example, in garments sector, number of T-shirts stitched per kWh of power consumed; and



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- *water productivity*: units of productive output per unit of water consumption (e.g. kl or m³), for example, in paper sector, kg of paper produced per kl of water consumed.

Innovations are found by systematically identifying and analyzing each of the main processes that consume – large volume - of materials, energy and/or water for efficiency opportunities.

- ✓ *Automatic controls* are based on establishing programmable logical controls (PLCs) to operate machinery. Machinery is equipped with sensors and controls to allow the PLC to manage operation of the machine, following pre-determined programme, for example for execution of a dyeing cycle in textile processing or for a batch chemical synthesis reactor.

Diversification occurs when your technology is utilized for a different purpose. The difference could be in the material processed, the geometric shape and sizes to be achieved, functions to be achieved, or otherwise. Typically, this would involve your company starting to supply into different value chains. A ready-made garment factory can diversify into stitching bags or face masks and thereby become supplier into the value chains for bags or for Personal Protective Equipment. Advanced engineering units tooled for 3D printing of automotive components can diversify for 3D printing parts of bicycles or medical devices. Such lateral diversification outside of the original industry sector and/or value chains takes place by building upon the specific technology competence of the enterprise.

Product

Make your products (& packaging) better and/or differently

You can grow your business by focusing on your products and their presentation (through packaging, positioning etc.). Your customer is the ultimate judge who evaluates whether your changed product is an improvement, and rate it as essential, needed, desirable or avoidable (ENDA). Therefore, as a rule of thumb, attempt to make your product '*better*' rather than '*cheaper*'. Don't compromise on customer experience by using cheap components or packaging – the beautiful handwoven silk scarf will not fetch the good price it deserves if packaged in the cheapest available plastic bag. Moreover, develop your product with a view to increase projected sales revenue instead of decreasing expected production costs. Where appropriate, add details or simplicity to improve customer experience and valuation.

Changes to product design and specifications are within your control if you supply directly to consumers. Many MSMEs though do not interface directly with final consumers and are just manufacturing to the specifications of their buyers. However,



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even when doing job manufacturing for supplying to businesses it makes sense to commit to product development from perspective of building long term partnerships and securing future sales.

Consolidation with regard to products is aimed at making your products better, from the perspective of the final consumers, either directly or in collaboration with your downstream supply chain. The typical pointers for improving products are aesthetics (how the product looks, what image and associations it creates for the consumer), features or functionality (what the product can be used for) and quality, reliability and efficiency (how the product will perform over time). Among these, aesthetics is above all a matter of customer taste and preference, however generally aesthetics improve with greater attention to details and craftsmanship. In terms of functionality, look for the optimal mix of features. From a manufacturer's perspective, it might be easy to add features, yet a consumer may easily get annoyed by excessive features getting in the way of comfortably utilising core functions. In terms of performance, look at how superior performance can be demonstrated or guaranteed.

Diversification is in the case of products aimed at expanding to different products. A good way to arrive at innovative product ideas is to focus on the components and functions of the product (as opposed to focusing on customer as described above for the consolidation approach). Once the product is dissected in its physical components and associated functions, these components (and possibly functions) are juggled and put together in different ways to create new, initially hypothetical, product ideas – these resulting product ideas can be reviewed and assessed on potential customer value and the best ones are then developed physically and trialled. This can even be scripted with numerical operations.

1. **Addition** involves the addition of a new component or feature. Good example is addition of a camera to a mobile phone, resulting in smart phone. In the cleantech domain Indian Sagar Defence Engineering added its navigation system to a floating screen for removal of plastics from surface water and thereby created its autonomous plastic collector drone for surface waters.
2. **Deduction** removes an apparently essential component from a product and 'borrows' something from the product environment to retain functionality. The classical example is a leg-less high chair for toddlers that attaches itself to the table. Deduction has many applications, for example in the energy domain where the heating element of a hot water system can be removed by a heat exchanger that captures waste heat from, for example, a compressor or air conditioning unit.
3. **Multiplication** involves multiple inclusions of the same component in the product with a slightly different complementary function. A classical example is the



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double-bladed shaver, where the first blade cuts the hair and pulls it a bit out, for the second blade to cut it even further, to achieve a superior shaving result.

4. *Division* splits one earlier component into two (or more) components which together provide the function of the earlier component. One can replace a round bucket for packaging of liquid (e.g. chemicals) with a square cardboard box (to provide sturdiness and improve packing density on pallet) with a thin plastic bag inside (to contain the liquid). Savings arise in transportation costs and warehousing space, whereas the amount of potentially contaminated plastic waste is reduced (only bag, not the heavier bucket) and cardboard can be fully recycled.

Business

Doing your business better and/or differently

Business is used here as the umbrella term to cover all aspects of organizing resources (people, materials, data, finances) for your business processes: procurement, sales, operations, distribution, administration, etc. It is often considered the sole domain of managers, yet increasingly MSMEs are getting benefits from contributions of their teams to the running of the business.

Consolidation: for the business core competence area, consolidation involves improving business processes. There are a few starting points:

- ✓ *Drive and practice entrepreneurship:* complementary to business management, entrepreneurship focuses on advancing your business in uncertain times and seeking and achieving new business opportunities, including by taking of calculated risks. Refrain from following trends and copying what others have done, rather step up to the front as an entrepreneur continuously exploring and pursuing business opportunities (see module on [Entrepreneurship](#) for further suggestions).
- ✓ *Improve planning and monitoring of all business processes through better forecasting:* communicate with your customers, competitors and suppliers to understand the drivers and risks to their business so you can anticipate what might happen and plan your business accordingly. Get off the habit of responding, change to one of anticipating what you are likely have to respond to!
- ✓ *Debottleneck and control your cash flows:* finances are the proverbial fuel that keeps your business ticking, so do keep a close eye on cash flows. Work with customers and suppliers towards commercial terms and conditions that support rather than drain your cash resources. Scrutinize and prioritize expenses, and review regularly whether these remain relevant in context of achieved earnings.
- ✓ *Build empowered teams to co-run your business:* cooperation in the workplace benefits from regular information sharing and communication and showing



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respect and dignity to all, irrespective of one's level of education or skills – after all everybody is needed to keep your business ticking! Empowered teams will solve many challenges and problems at their core, long before they require management attention. In that way, your time is freed up to develop and take your business forward, rather than firefight myriads of smaller business troubles (see module on [Manpower](#) for further suggestions).

Diversification: with all incremental improvements and consolidation you may still find your business growth capped by available resources. Indeed, time may come to review and change the way your business is owned, operated and managed to leverage resources for achieving and sustaining business growth. Who is the legal owner of your business, and the land, buildings, machine and stocks it operates with? Can you change this part around to access more finance for running your business? You might want to consider renting premises and leasing equipment to free up capital. Or can you partner, transferring a stake in the business in exchange for accessing resources with which you can grow – for example, a business or dealer network or capital injection? If you have a superior product with higher upfront costs but lower lifetime costs of ownership, you may wish to consider selling the product's service rather than the product – for example, for energy efficient air conditioners. Or could you benefit from accessing the knowledge and expertise of your suppliers? If so, consider different procurement terms – many car makers have changed to pay their paint suppliers on basis of actual number of finished cars and benefit from their paint supplier's expertise to optimize their painting lines. Similar performance-based procurement contracts are now being rolled out in many different areas to the benefit of small and medium manufacturers and service companies.

From Core Competencies to Business Opportunities

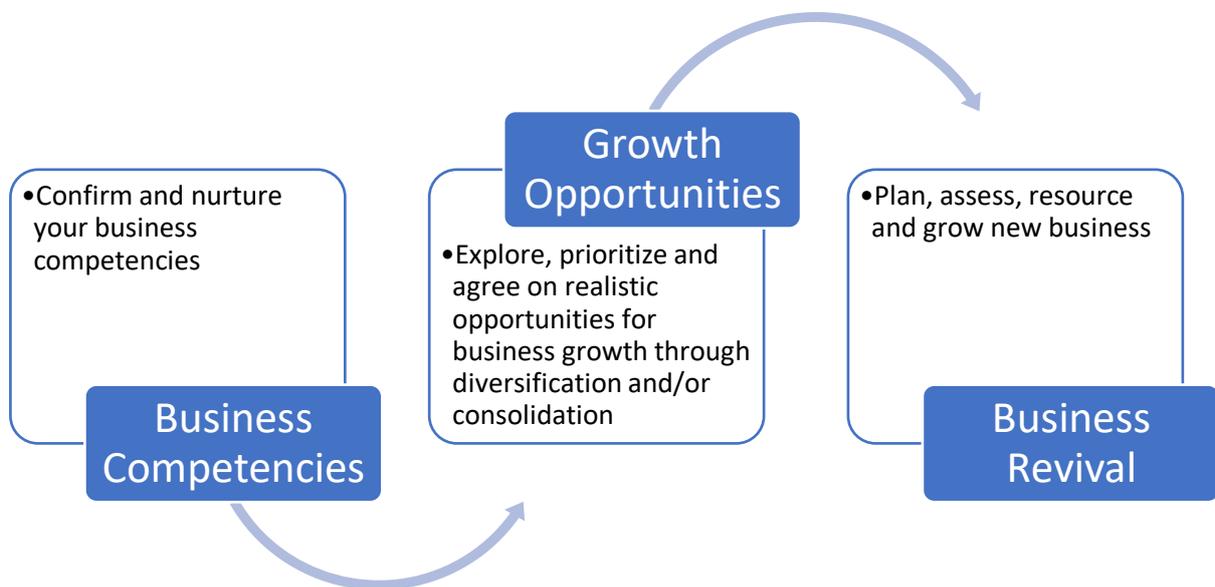
You can bring back growth to your business by focusing on what you are good at and sets you aside from your competitors – your core competencies. These can be diverse and disperse. You will benefit from refining and nurturing these, particular in regard to the products you make, the technology you employ and the business processes that bring all together to generate income and profit.

Prepare and plan how you want to grow and diversify. It will require your time, effort and resources – and these are scarce for MSMEs. So, focus! Start with defining and refining your core business competencies and the values these bring to your current and potential future customers. Once confirmed, make an effort to communicate and share these within your business, to focus attention and indeed further nurture competencies. Next scout for growth opportunities – can you do better what you are



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already doing well or would you stand to benefit more from applying your competencies for different applications? Prioritize what serves your company best and what you can afford. Next, set your specific goals and elaborate in a detailed growth plan. Allocate resources and execute, in a learning mode by monitoring each stage and making mid term corrections and adjustments as you proceed to revive your business.



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