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## **Art Koch's Profit Chain™ Series**

*Why Waste a Perfectly Good Recession?*

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Lately, much has been written about the impending economic downturn and the need to recession-proof your business.

I vehemently disapprove of this! It's as though if you say something often enough, it will happen. The doomsayers will all jump up and down to say, "look I was right"! What they may have forgotten is that recessions are a natural part of the economic cycle; much like birth, death and taxes. They will always occur.

Circling back to recession-proofing, I equate the concepts of recession-proofing your business with the game plan of playing football using the “not to lose plan”. I’ve been a big fan of University of Michigan’s men’s football team for many years. During Bo Schembechler’s tenure as the Wolverines head coach, he would get a nice lead in a game then change the strategy from an aggressive offensive mode to a defensive “not to lose” mode. When doing this, you can dramatically and negatively shift the team psyche. Before you know it, the other team has the emotional upper hand, and possibly the lead. Why is this done at all? Lack of confidence or playing too conservatively?

Let’s re-frame our focus and take a hard-right turn and ask ourselves the following question: Why waste a perfectly good recession? When times are booming, what’s the one resource we all could use more of? TIME! We can’t get to the problems because we’re too busy making money. In addition, problems are often hidden within the sheer volume and growth.

When the inevitable recession starts to poke its ugly head around the corner, let’s not slip into the defensive game plan of “not to lose”. It’s the game you lose most of the time. Let’s take this hard-right turn I’ve been referring to and double down on problem resolution in the areas that keep your organization from achieving its full potential.



## **Invest, invest, invest!**

- In training and development, shore up any existing gaps to skills and core competences.
- Hire for any gaps in skills and core competencies you can't develop. They might be at a bargain.
- Double down on improvements to:
  - Inventory velocity. Always remember, Inventory Is Evil!<sup>TM</sup>. Why? Because, it hides and delays problem resolution. There is no better time to challenge conventional wisdom on inventory levels than during a recession.
  - Challenge and reduce current lead-times from suppliers and deliveries to customers.
  - Rationalize the supply and customer base. Remember my Rule of 1% = 50%
  - Address scrap, first pass yield, internal and external PPM quality shortcomings.
- Complete any maintenance that has been delayed.
- Expand capacity through change over reduction, first pass yield improvements, machinery additions and business acquisitions.

Lastly, instead of squeezing the vendor for price reductions, take the opportunity to build partnerships with both suppliers and customers that will jointly reduce the total cost of ownership, Art Koch's Profit Chain<sup>TM</sup>.



Run the ROI; numbers don't lie! This is the best course of action.

The path of least resistance is to cut costs, *That's for amateurs!* Build your business case for the CFO. It's hard work, but anything worthwhile is always hard work. That is what a winner will do to be a champion!

So, Mobilize your team! Come out swinging and become more competitive than previous months.

**A recession is a terrible thing to waste!**

Self-assessment Exercise - Your Readiness to NOT waste the next recession.

- Ready to “Play to Win” during the next recession? (Comment on how you're ready.)
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.

- Mobilizing the game plan and moving in the right direction. (What are the next steps to insure success?)
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
- This is a new idea and strategy, it's something we need to work toward. (Brainstorm the first steps.)
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
- Don't think this applies to our business or enterprise? (Write three to four reasons why it might not.)
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.
  - \_\_\_\_\_.

In case you haven't noticed or have not been counting, this marks my 12<sup>th</sup> consecutive month writing and publishing this newsletter. Hooray ...! In all seriousness, thanks for being such a great network of loyal subscribers that constantly ask the hard questions and provide feedback.

## **Art Koch's Profit Chain™**

Dramatic improvements to inventory velocity, increased customer service and corporate profits”

## **Entropy Busters™**

Stop letting the process manage you! Become the champion of your game plan and achieve sustainable profits.

## **Inventory Is Evil!™**

**in·ven·to·ry / 'in-vən-ˌtôr-ē / noun**

Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

**in·ven·to·ry is evil! / 'in-vən-ˌtôr-ē is 'ē-vəl / phrase**

Left unchecked inventory has many negative unintended consequences to profitability. It hides problems; **therefore, it delays fixing problems!**

**Art Koch's Profit Chain™  
Turn Operational Problems into Profits**

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Thanks in advance for your time always, thanks for being a loyal client. Looking forward to helping you and your team again soon

Carpe diem,

[Art Koch](#)

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