

Resource Productivity

A Rapid Methodology for Maximizing Cash Flow

In uncertain economic times, business survival is one of many challenges. Regardless, optimistic, visionary business leaders see these challenges as opportunities. For example, exemplary executives acknowledge that their company is not unique in facing economic hardships; nearly every other business and industry feels the affects of a recession as well. They can also place their hope in the fact that the economy will eventually return to a period of growth.

In the midst of challenging economic times, forward-thinking leaders have the opportunity to position their organizations to take advantage of poor conditions in order to outperform peers, grow market share and strengthen current standing. Companies that forecast their positioning for when the economy finally rebounds recover the best after trying times. Thomas Group can assess how the threat of this recession can streamline your business processes to ensure future success and profitability.

If you right-size and manage your business well during modern economic trials, your company will survive and even thrive while maximizing growth potential and financial gain. Thomas Group can show you how to utilize this period of recession to restructure your organization so that it strengthens your portfolio and capital, for long-term growth and increased value to shareholders.

Weather the Storm – Position for Recovery

Step one in recession-proofing your company is to conduct a stringent cost analysis to streamline your company's cost structure. An effective cost structure is essential for reducing or eliminating expenses that do not positively and significantly impact sales. When projected sales decrease, businesses should enact a plan to proportionately reduce production levels.

By analyzing sales projections, companies can determine their available operating funds in order to properly allocate them. It is important to know how much you need in order to cut back before making any drastic changes. Sometimes after a thorough analysis, businesses are surprised to discover more available capital than previously thought.

After determining available working capital, companies should then formulate a viable business strategy. Improving operational advantage requires a combination of quick wins and optimized processes and costs. Companies should focus on the most timely and lucrative initiatives. While projects with small-dollar savings are easier to execute, they can drain resources and attention from improvements that save substantial money. Thus, prioritizing is key.

In addition, management should conduct an assessment of existing company-wide processes and procedures. Companies should seek continuous process optimization and change implementation utilizing proper culture change management techniques, especially during periods of economic downturn.

Unfortunately, some hard staffing decisions may need to be made. The best way to approach human capital optimization is to determine which employees are most valuable to your organization. Think of it in terms of people optimization: identify areas where responsibilities clearly overlap, or determine which roles can be filled by one person instead of two or several, at least for the short term. Also consider that the morale of remaining employees is crucial to workforce effectiveness, so be sure to include them in decision-making and communication.

Companies that normally seek annual goals and objectives may benefit from temporarily operating with shorter timeframes. For example, thinking quarters instead of years when developing objectives and accountabilities can prove successful in a challenging economy until the business climate ameliorates.

The Thomas Group Approach

Thomas Group has been helping company's weather economic storms for nearly 30 years. Difficult initiatives require facilitation services and the perspective of an experienced and objective third party that knows how to work with management in implementing improvement processes. Our consultants specialize in enabling the necessary program changes that adapt your company to current and future business conditions.

Our unique Resource Productivity methodology helps companies achieve operational efficiency quickly. Thomas Group discourages a *slash and burn* approach, rather it employs tools that help companies run leaner and maximize near-term cash flow in the face of reduced demand signals. Meanwhile, our consultants help position you for impending economic recovery. We will help you identify opportunities to reduce assets and costs without sacrificing your core capabilities.

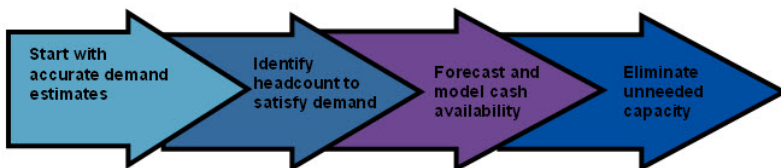
Specifically, our approach enables clients to:

- Satisfy lower demand for products and services with the fewest and most productive capital and human resources
- Generate cash flow from a combination of cost savings and longer-term process improvement
- Create a new business model that is adaptive, modular and virtually scalable, allowing rapid adjustments in response to in-demand improvements

Our process-driven approach to cost reduction addresses specific cost factors and optimizes the cost-to-value relationship without sacrificing future growth enablers. We seek smart, flexible, strategic and creative ways to help you get through these challenging times without hindering future business success.

Targeted 60 Day Timeline

Our methodology enables clients to satisfy demand for products and services with the fewest and most productive capital and human resources, maximizing near-term cash flow, all within a sixty-day timeframe. Thomas Group consultants also recommend immediate reductions in the core process headcount based on a detailed, high-level analysis in order to balance short-term cash



needs and longer-term business viability. Industry-specific demand forecasts determine which immediate adjustments in production and fulfillment capacity should become priorities.

Thomas Group's Resource Productivity offering is a dynamic management tool that maximizes near term cash flow in the face

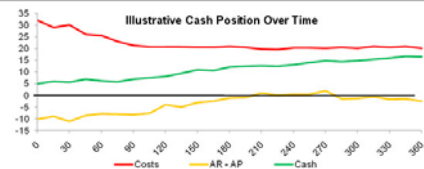
of reduced demand signals while positioning for inevitable recovery. We look for opportunities to reduce assets and costs while positioning for the future.

Need smart, flexible, strategic and creative ways to get through this down time but not reduce our ability to participate in the inevitable recovery. Average duration is 10 months. This one may be longer, may be shorter, but what is the lead time from broad economic recovery to specific demand recovery?

Deliverables for Thomas Group's resource productivity approach include:

- Validated Demand Forecasts for 30, 60, 90, 180, and 360 days
- Forecasted, modeled and analyzed sources and uses of cash
- Workforce assessment with headcount reduction recommendations
- A project and product portfolio optimization plan
- A fixed and variable cost analysis
- An outsourcing analysis

Model Element	Source	Cash +/-
Starting Cash Flow	Balance Sheet	Baseline
Right size production to demand	Labor savings estimates, Inventory reduction	+
Model core processes and re-architect	TG proprietary VSM and analysis approach	+
Reduce human and other resources	Reduced variable & fixed costs	+
Tracked and managed with Thomas Group Cash Model:		



Leading companies address today's consumer needs with an eye towards the future. Effective executives are decisive and understand how to make hard choices and when to make them. They also know when to call on outside expertise and form a collaborative partnership to achieve new levels of efficiency. That is where we come in. Thomas Group can make your business more successful, because:

- We work from executive management sponsorship
- We engage with your executive team to make mutual broad-reaching decisions about what is in/what is out of consideration
- We employ a high-level value stream mapping approach to reconstruct core processes
 - Order-to-Cash process
 - Manufacturing Capacity
- We get immediate access to all managers who are responsible for functional support

With proper planning and resource optimization, virtually any company can survive recessionary periods over a short-term, recession efficiency business phase. Business leaders that remain positive and focused will see their companies recovering from the current economic crisis, more so than ever imagined possible. 