



Mastering the 2009 Crises

Alternatives to printing money

What can Associations + Companies do...

- to overcome the crisis**
- to gain global competitiveness**

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How can your business + economy regain global competitiveness !

1) crisis 2009 – known reasons

present proposed “solutions” by governments

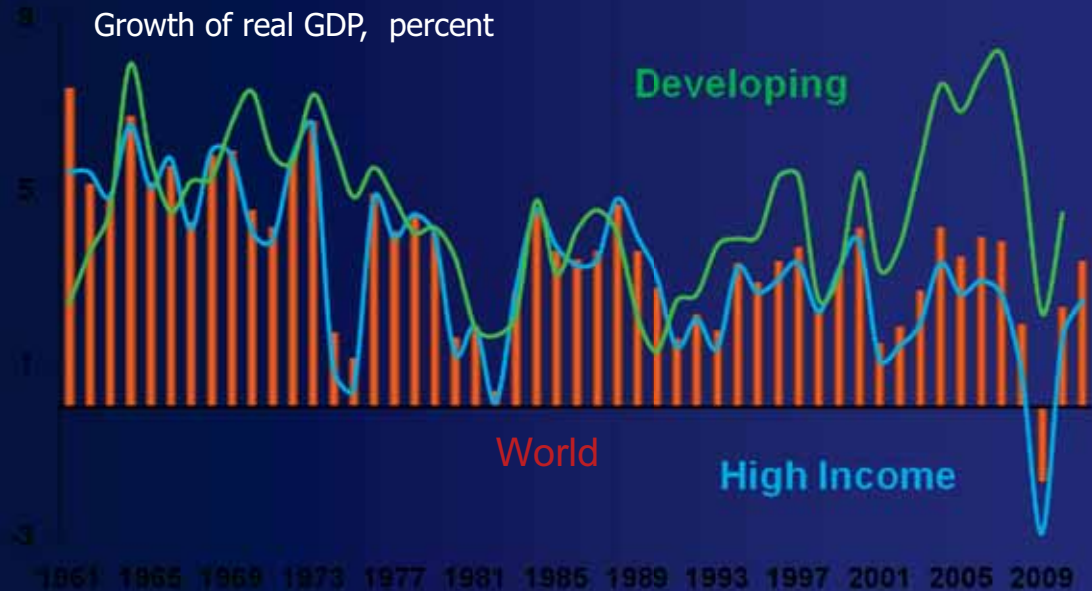
2) not discussed systemic reasons

3) alternatives – aside printing money...

- business associations**
- companies**
- engineering companies**
-what can you do ?**

GLOBAL DECLINE

World economy contracting – for first time



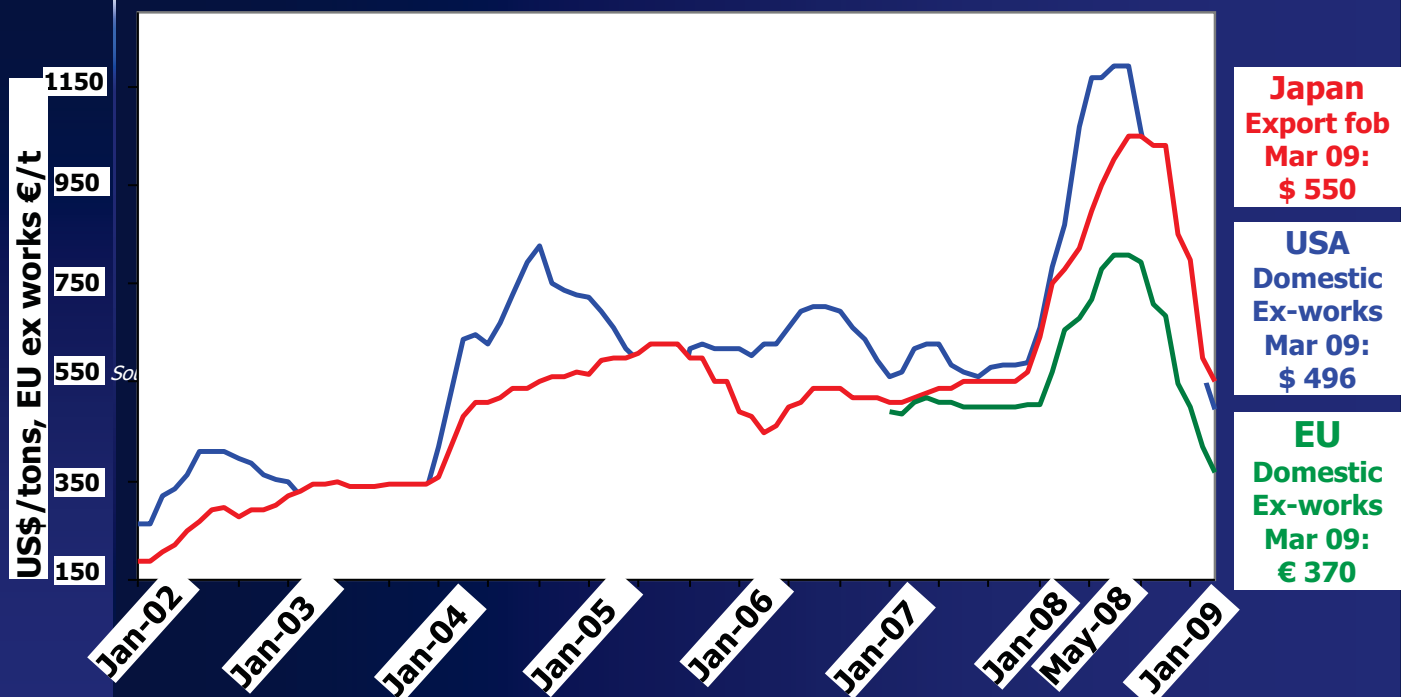
Source: World Bank data and projections.

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hot rolled steel coils

Development of \$ sales prices



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Crisis 2009 - known reasons

↗ growth money supply ↔ "real" economy

- money – too cheap = printing money

USA - hedge funds – not controlled

- rating agencies – 12 comp. – 63.000 fin. instruments

– Subprime crisis – real estate

not discussed

wrong salary + bonus system

rewarding - short term gain

Matell Toys, US – China – lead colouring

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present response to crisis

...US, EU, Japan, China

printing money + "saving banks"

protectionism = ↘ competition ↘ quality + ↗ cost

invest in highways + power plants

...instead of broadband, rail, energy saving

work part-time – gov. subsidy = time at home

...instead of study + training !

↗ increasing gov. debt burden

→ building next bubble + crash

→ preparing state bankruptcies – Japan ?

forget oil (...Güssing) – budget for education !!!

only "brains" count in engineering ind.

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the present response of governments will lead...

higher debt

...will postpone 1930ies crisis for 5 - 7 years

eventually lead to....

high inflation ...to reduce gov. debts

+ stagnant or reduced income

dramatic unemployment

state bankruptcies

Crisis – fundamental, long-term reasons not discussed

inflation calculation - too low – interest rates low

↘ salaries → de-motivation ↗ corruption, ↗ theft...

tax systems - wrong

→ high on salaries – low on goods

→ cheap imports → low quality ↗ waste ↘ repairs

Cost of protection - US Steel

cost - 1,3 % GDP - Austria \$ 4b.

Crisis - fundamental, long-term reasons - not discussed

Air - Water - Soil - macro-economic costs

China – petrol subsidy ➔ consumption ➔ air pollution

➔ lung problems ➔ productivity ➔ global competitiveness

Iran – petrol subsidy – ➔ smuggling – expensive software

US – petrol cheap ➔ consumption ➔ Irak – cost of war ?

Beijing – water cheap ➔ use + waste - 1/3 leaking pipes

What is pollution ? – India

➔ pollution = ➔ competitiveness !

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Crisis - fundamental, long-term reasons - not discussed

competition ...monopoly ...oligopoly

OTP Bank, Hungary - 1995 - monopoly – no profits

... privatized - ➔ market share ➔ profits

New Zealand - 1984 – 13% unempl.

➔ 2005 – 4% unemployed

“state capture” – by strong interest groups

US 2008 – financial sector US 2009 – steel + car ind.

higher cost of “protected sectors” = tax on others

Syria – General Est... ➔ N.Z. ...competitiveness ➔ profits ➔

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Challenges to Business Associations

Megatrends to 2030

economic liberalisation + globalisation

shift - from absolute local power of big gov.

to "support function" by smaller "strong" gov.

shift to regional + global decision making

in UN, WTO, ...ICC

need for regional + global bus. ass.

change from owning - to access to a product

reduction in "transaction costs"

key - value added for supply chain

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expensive Austria ...competitive ? – cheap Bangladesh... not ?

Challenges for Business Associations

Reduction in Interaction Costs

Analytic work technology

global competition

- who can ↓ interaction cost
- ↗ worker motivation, quality

Bangladesh 1/2 cost – but FOB

30

19

51

100% costs

Transformation
Production
Exploration

Interactions

- Search + Monitoring
- Co-ordination
- Corruption
- Custom clear
- Public admin.
- Wait shipment.....

interactions costs → ...little value added

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Crisis - fundamental, long-term reasons - not discussed

administrative systems – expensive !

Austria – 7 permissions - souk-stall

Syria 2002 – 15 export licences necessary – 2006 – only 3

Austria – 9 diff. construction laws ↗ +4%

Syria – bank guarantee system

efficient admin. systems

.... 25 % reduction of all costs ?

Crisis - fundamental, long-term reasons - not discussed

Corruption - macro-economic cost

Turkey – earthquake – ? 4000 dead ?some bribe ...

productivity loss of 4000 workers x 25y = costs ?

corruption =

wrong decisions... - raw materials, machinery purchased

↘ competitiveness

Armenia – Importers Ass.

money circulates in economy – just not directly allocated

....lost time, productivity

inefficiency = ↗ cost = ↘ competitiveness

**A successful textile merchant not
only has to buy low + sell high**

**but has to ensure that
markets remain open**

trade barriers,
admin. systems,
corruption
tax systems

What can Business Associations do ?

Unite ! within country,
region ...Pan Arab...
global – ICC, Int. Steel Ass.
if divided - politicians - not experts - decide conflicts
make PR for business – Addis Abeba radio
Bus. self-regulation - instead of gov. imposing laws...
L/C, Incoterms, EU advertising
Take over gov. formalities
Bogota Chamber – comp. registration

Lobbying !

clear legal system of unnecessary regulation

demand – speedy action from gov.

“rule of law” – efficient court system

fight corruption

lobby – ➔ increase gov. salaries - Georgia

simple, low tax system – strictly enforced

Putin 13%, Slovakia 19% – **flat tax**

good infrastructure - + ...broadband – Malaysia 1997

take responsibility !

reduce trade barriers - most on demand from bus. - **US steel**

robust edu. system - **voc. training** + **bus. education** – **WIFI**

produce clean – **production cheaper** ➔ **competitiveness**

➔ **strict competition law** – **scrap monopolies** – on bus. demand

care for workers + **“Good Corporate Citizen”**

if business doesn't manage social environment **positive**

society will manage business...

neg. business climate - ➔ **investment**

What can companies do ?

Strategies to increase competitiveness

... Mental Change ...

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What can companies do... ...to become a supplier

Price - is not the key !



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What can companies do ?

Questions to be asked

Where *personal* competitive advantage ?

...company's competitive advantage ?

do *workers* "match" this ?

how is *job – satisfaction* of workers ?

... long-term loyalty ?

... enough education ?

➔ continuous education ?

How ➔ creativity of my workers ?

Key to competitiveness - know-how

...evening 100% go home – have security ?

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What can companies do ?

optimize recruitment

- technical skills... - personality

- does company match candidates' goals + dreams ?

harmony with existing staff ? - GORETEX

does "personality" of sales-manager ...match

- "personality of product" ?

flop - Mercedes – Airbag

- "personality" of your buyers ?

accountant – cannot sell Mercedes

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what can companies do ?

salary + bonus systems

US + EU – ➔ short term gain – not long-term responsibility

➔ corruption

ME - salaries too low – little incentive to work hard

➔ theft, corruption ?

Alternatives...

Hungary – theft of tools + spare parts

Osaka – metal parts factory

make your staff – co-entrepreneurs

Microsoft – worker-millionaire + Gates

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What can companies do ?

Investment into education

2009

2014

of 100 % of products
produced today

only 20% still in production

80% are new

of 100% of today's
staff

80 % will still be in company

...only 20% are new

does “company-internal training”

live up to this ?

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What can companies do ?

Investment into education

Investment	Productivity increase
↗ 10% - machinery, robots	3,4%
↗ 10% - working hours	5,6%
↗ 10% - edu. + training	8,6%

Motorola - investment in education - 20 x in 3 years

Chrysler – recruitment + training - \$ 9m over lifetime

...time spent by you...

to help + upgrade workers ?

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What can companies do ?

Syrian experience

Textile + Clothing Factory

boss, large beautiful office

all doors closed

staff carefully entered

please help...

→ **need protection**
against Chinese

Garment factory

manager, in central little off.

all doors open,

staff entered without knocking

please help...

need export markets
→ **global competitive**

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What can companies do ?

"help inter-preneurs"

+ **decision empowerment, vision, trust, independence**

India – farmer – small holder – management technique

Sydney – Chemical factory

Germany – chips factory

UK – ↗ 10% wages – note pad

Samantha Goshal

**give workers "independence" + trust
= creativity = profit maximisation !!!**

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What can companies do ?

"maximise profits with - ethical behaviour"

If boss shows no loyalty to workers

→ workers show no loyalty to company

are worker proud to work

...with YOU ?

...with their colleagues ?

... for YOUR company ?

= ↗ creativity + ↗ profitability

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engineering industries

- leading the world

progress - combining mech. eng. + chem., electronic, bio...

key - innov. from within - 70% if motivated

use Arab advantage – solar, energy, water saving

small series – of “one” – use craft tradition - Yemen, Egypt, Morocco

lease raw materials - waste + pollution

profits from service + know-how – not volume sold

Pune – you are rich ! \$ mill. in air waste = raw materials

engineering should lead business in your countries !

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Summary

key solutions - to master 2009 crisis

Why China competitive – not Egypt ? – nearer to markets...

business associations - unite !

- simplify - legal + admin. systems

- strengthen ownership + court system – “rule of law”

- selfregulat. of business – reduce gov.

socially balanced society

companies - make workers co-entrepreneurs

- education motivation care for workers = competitiveness

...your choice – all can be richer – business, workers, officials

Textile Waldviertel

...tell a smoker ...he has free choice

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Yes, you can do it !

happy to answer your questions

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