

2009 THE OUTLOOK FOR BUSINESS

The year ahead is expected to be more difficult than usual for those in finance. Below, experts in their respective fields predict what 2009 will bring in terms of economic conditions, regulatory and legislative changes, financial management trends and general challenges.

BUSINESS CHALLENGES

Doing the right things, and doing them well, is crucially important in a downturn. Below, **Carolyn Bresh** identifies the four crucial areas for action.



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1. Plan for the downturn

The UK and other major economies are heading into a recession that experts believe could be long and tough. Businesses need to recognise this and act accordingly – it is far easier to plan for a tough downturn and then flex back, than play down the severity and risk some nasty shocks and surprises. So, in your planning, remember the following:

- strategies need to be revisited, reworked and recommunicated;
- things seem a lot less clear in a difficult market, so gather as much information as possible on the current situation and likely short and mid-range future. Filter it to ensure its credibility and reliability, and use it to inform your planning;
- clearly articulated plans grounded with good data will give you a better chance of accessing/renegotiating debt facilities;
- information on what competitors are doing is more important than ever – whether it represents threats or opportunities;
- 80:20 is an important ratio. In most businesses an estimated 80% of profits come from 20% of customers. So identify who the 20% are and pull out the stops to give them more value so they cannot do without you. Conversely identify customers that are 'not profitable' and find new ways of working with them or consider firing them;
- this is the time to be proactive and collaborative in planning with key customers and suppliers. Look for ways to help each other (eg rather than losing a customer, trade a reduced price against improved settlement terms).
- controlling costs is essential – but should be specific and informed rather than across the board.
- cash is king, so be on top of working capital, chasing down late payers where you have not made a special concession;
- investing strategically is still important. History

shows that businesses that safeguard and even build capabilities through downturns come back fastest and strongest when economies pick up;

- prioritise projects with good ROI more than ever in times of scarce resources; and
- last but not least, ensure flexibility in your overall business model so you can react quickly – especially when the upturn finally arrives.

2. Increase focus on process improvements

Focusing on process improvements enables a business to optimise services, increase efficiency and reduce costs. Recommended steps include:

- using the 'opportunity' of difficult times to push the change agenda for process improvement and efficiency across the organisation. People are often more resistant when things are going well; and
- ruthless prioritising – doing what really counts and dropping projects that are ineffective or less important.

3. Scrutinise performance even more closely

The key here is to:

- make sure you are looking at the right KPIs – including cash, debtor days, areas where you are losing customers; and
- realise that your KPIs now do not necessarily need to be sophisticated or numerous – they need to focus on where the potential slippage is.

4. Support your people

It is the skill, commitment and hard work of your people that will enable you to survive and succeed. So now is the time when supporting your people should be a top concern. Important points to remember are:

- communication – clear and regular communication of strategic priorities and performance is essential;
- ensuring the management team and staff are all behind the revised strategy – ie all pulling in the same direction;
- retaining and motivating key staff who will lead you through and out of the downturn; and
- maintaining investment in staff and team development, where positive impact can be demonstrated.