

Tips And Challenges For 2009

The media in general are consistently 'on message' in reminding us that "these are uncharted waters ... we have not seen conditions like these before ..." and many similar, invariably pessimistic, comments which mostly serve to exacerbate the one factor underpinning much of the current economic malaise; that of the lack of confidence. The reality is that there is not one Pound, Dollar or Yen less in the World's coffers now than a year ago; the problem being that those who have it are reluctant to lend it. Indeed, contending with a perennial 'credit crunch' and fickle demand patterns is nothing new for many businesses, the difference now being that this pain is more universal, even global. We are assured that the current 'downturn' is cyclical in nature and that the dark clouds of impending recession will dissipate removing challenges and heralding opportunity. For many businesses during 2009 these will include:

Major Challenges

- ❑ *Cash*: keeping it flowing at competitive rates when shortfalls cannot be funded organically.
- ❑ *Debt*: keeping the Debt to Equity ratio on track
- ❑ *Market*: coping with reducing or volatile demand patterns.
- ❑ *Product or Service*: having to curtail/cancel vital R&D or invest in upgrades or new markets to retain market share.
- ❑ *People*: the impact of staff attrition on recovery, continuity and growth.
- ❑ *Leadership*: risk of loss of key personnel.

Major Opportunities

Few would argue that adversity can be the mother of invention. Challenge also can often concentrate minds and create opportunity such as being able to:

- ❑ *Renegotiate* everything: debt, unions, rents ...
- ❑ *Occupy* market space vacated by failed competition.
- ❑ *Acquire* competitors or key strategic assets given a buyers market.
- ❑ *Right-size/* rationalise headcount.
- ❑ *Hire* key personnel (from competitors).
- ❑ *Complete* projects (at lower cost) shelved when business was booming.

Tips

- ❑ Try and keep debt below 30% of equity.
- ❑ Avail of 'swaps' (debt for equity) if needed.
- ❑ If big enough consider 'rights' issues to shore up balance sheet.
- ❑ Monitor where investors are buying / divesting for your industry.
- ❑ Monitor competitor activity, especially entry into new or complimentary markets.
- ❑ Avoid eroding business critical skills unless absolutely necessary.
- ❑ Improve relationships with stakeholders, especially suppliers and investors.