



HOW TO RIDE OUT A RECESSION

When times are lean, it's tempting to skinny down to survive. But you have to do it right, or you may not be ready when famine turns to feast.

DON'T PANIC

Panic induces inwardness and a lack of ideas, so stop fighting fires and worrying about your cashflow and overheads. The only way out is to review your strategic plan and trade your way to greener pastures, says Andrew Harris of business advisory Grant Thornton.

Harris talks up potential for growth in a tight market. Debt-laden competitors fall over or can be bought, and international opportunities may open up if the dollar slides.

There's still money to be made in both the high-end and high-volume markets, says Martin Richardson, principal of business advisory WHK Gosling Chapman. "If you're price driven, make sure you service your customers well. If you're volume driven, make sure you don't over-service them. It's people who get stuck in the middle, and overservice and underprice, that are headed for disaster."

REMAIN OPTIMISTIC

Never fear, your competitors are facing the same testing conditions. Richardson believes the energy of a business's owners and employees makes the difference between success and failure: "If people start to get pessimistic, that will start to bring them down."

Your business plan is even more important now. Work out where you are going, given the economy, the industry and the competition. Look out a year, and forecast what you need to sell and to spend to achieve your goals.

Your business vision should expound some values. "Act on these values when dealing with staff, your customers, your suppliers and your bank," says Harris. Gain their confidence with your trustworthiness.

LEAPFROG YOUR COMPETITORS

A business that battens down and retreats will find it harder to build up volume later, so think about maintaining - or growing - your position in the market.

"A downturn is the opportunity to shut your competition out. So, if you are in a strong position to maintain your investment and your presence, then when things come right again, you'll be ahead of the competition," says Richardson.

Now's the time to innovate for a competitive advantage. You can attract great staff, and new technology could put you in a better position for the lift off. You should be quite clear how borrowing will add to your bottom line, however. Credit's tight so banks are asking very hard questions about the value of investment.

If you're avoiding debt, try collaboration. When Richardson's clients tell him that they have production capacity but need turnover, he advises them to look for like-minded business people to sell their products through and to share overhead costs.

FOCUS ON CASH

Beware of bleeding to death through hundreds of unprofitable transactions. A WHK Gosling Chapman advisory suggests you find out which of your customers, locations, services, products, and so on, provide the most profit, so you can make sure you are cutting areas where you are already losing money.

Forgot the simple idea that you have to save 10% because sales are down by 10%. Start from zero and look at absolutely everything.

Decide what impact cutting an item will have on your ability to earn money - and then think about maximising your cashflow.

"The more cash you can free up, the more you'll be able to take advantage of the opportunities out there," says Harris.

"There'll be some bargains, as the price of businesses drop."

To get cash, he says, offer incentives to customers to pay their bills sooner, push creditors out, and renegotiate with suppliers.



HANG ON TO YOUR BEST PEOPLE

Scores of senior managers are now on the market, as roles like marketing and business development are cut, says Nicola Pohlen of human resources consultancy Pohlen Kean.

"Often owners are looking to save by axing the most expensive staff members, and this is not the most sensible way of going about it," she says.

Some bosses will try to save a \$200,000 salary, instead of looking at overall staffing levels. You can load up the young and enthusiastic with more work, but have you kept enough experienced people to lead your teams?

You also need to keep those who are the most productive, and, instead of reducing the head count, you may find employees are willing to reduce their hours.

"Staff changes have a huge impact on culture and some businesses manage this so poorly," says Pohlen. The answer is to show empathy and vision. Bear in mind that if you don't behave professionally under duress, your employees will see your true colours and be off.

RAMP UP YOUR ADVERTISING

In tight times, advertising can be cut in a flash, but media experts suggest you need to advertise more to get the same sales. Robust companies will certainly spend more on advertising, because they understand the importance of keeping their brand profile - if you're not out there now, you won't be top of mind when the good times roll.

For the best advertising value, Richardson suggests an unfailing focus on your ideal demographic, so "you know you are going to get the maximum impact for minimum spend".

Back up your advertising strategy with intelligent support of your salespeople.

Motivate them every day, reminding them constantly why customers need your product or service. And tell them that if they can do well in a downturn, they're making a great business.

SHARPEN UP

1. Be absolutely clear about where you are making money: Concentrate on these parts of your business and cut costs from the rest.

2. Lead from the front: Keep talking to your backroom, your customers, and your financial advisor or accountant.

3. Cut the largesse: Sell old stock, renegotiate with suppliers, take out less salary, and pay back borrowings for personal assets.

4. Don't fixate about head count: If your employees are performing well and earning you money, they're your biggest asset.

5. Over-communicate and build teams that work well together: But don't lay on a slap-up Christmas function if you've just laid staff off.

6. Look at staff incentives: Attach bonuses to the profit per unit sold, not to sales turnover.

7. Spend money on training: Consumers expect more in stressful times, so make sure salespeople know the demographic and practice the pitch.

8. Tell your bank about your plans: The bank hates surprises and you will need credit.

9. Don't extend credit without a credit check: A new defaulter could bring your business down.

10. Know when to call it a day: Don't destroy that \$3 million in equity; put it somewhere where you can get a better return.