

## **SURVIVING A RECESSION – WHAT ARE THE RIGHT ROADS TO RECOVERY?**

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### **The R Word**

We have started to use the R word – Recession. There are very predictable stages in a recession – and having been through several, I have seen repeating patterns. At first, the Government refuses to acknowledge that there is a problem – they do not use the R word, preferring “downturn”. Eventually they accept the inevitable.

Then we take over, and many business owners refuse to accept that their business is in a recession – they are “recession” proof. Perhaps the very rich Middle Eastern businessmen who own splendid penthouse apartments in London do not need to worry about mortgages, but in general, the recession affects us all.

Sadly, the inevitable is that many in work will lose their jobs, and be unable to afford mortgage repayments. The elderly will struggle to buy basic food items, and rising energy costs will mean some chose to turn off their heating when they should not.

Once we have adjusted to the new situation, the next phase of a recession is to ask “when will it all end?”. Last time, in the 1991/92 recession, it ended when we all stopped talking about it and did something instead. This time it is likely to end when banks lend to one another again, and business owners go back to doing the right things to ensure they survive the recession and are in good shape to benefit during the upswing which will follow.

### **So what are the right roads to recovery for your business?**

**First** of all, be very clear just what you offer your customers – product or service, what need does it meet? At home, the smoke alarm meets the need of raising the alarm in a fire emergency, especially at night when we are at our lowest ebb; in work it may meet the need of reducing insurance premiums – same product, different needs, so different sales messages to different customer groups. Being in a recession sharpens up our understanding of just why people buy from us (or not!).

**Second**, which groups of customers are we going to serve? Are we aiming at all of the population, or segments of that universe; are we aiming at businesses, and if so, what size, what location, in what sectors? Now is the time to really understand which groups of customers will come back for more, which lead to profitable business, and which sound interesting but do not pay the bills. Bear in mind, our target customers have one thing in common – they share (or should share) a need for our products or services.

**Third**, how are we going to get to our target customers – ie. what are our routes to market? Is this by tendering, by major account sales, by direct sales and marketing, via the internet, using advertising, using networking and referrals, via public relations, via sponsorship, or by some other method? Now is the time to really understand which routes are cost effective, and which are just costly; which lead to repeat business, which are rapid, and which take a while.

**Fourth**, make sure you have an effective and well motivated team, right across your business activity. We know we should put the best people into customer facing roles; however, we should also put our best people into our purchasing roles to keep our costs down, and our materials and other supplies arriving at the right time, and in the right quantity. Interestingly, we should also put our best people into business development roles, since this is where we are going, this is our future. Oh, and by the

way, we should also put our best people into the administrative support roles (invoicing, cash collection, cash payment), AND into training and people development roles, to make sure we have enough of the best people – because we only want to have the best people anyway!

#### And then there are the banks/ our investors/ and the venture capitalists....

We did well to get this far without mentioning those nice people, bankers, .....and those other sources of money, investors and venture capitalists. Now we will rectify that situation. Apparently, some banks are still open for business, and those who are not will prove to be the losers in the long term. Whatever your view about toxic investments, we still need banks to provide us with overdraft facilities, loans, and advice. We need our investors to stick with us, and indeed perhaps even invest further – either angels, or venture capitalists. To gain the support we need, the targets we set for ourselves need to be realistic, in terms of how many sales we expect, at what value, at what profit margin, and in what timescale. No point in forecasting sales which always arrive a couple of months later than we said – that's a great way to run out of money.

#### And back at base....

As we now know, we need to make sure that we understand what we really offer, who we serve, how we find them and do business with them, how we make sure we have the best people in all places, and how we make sure we are sensible in our projections so gain the trust of our providers of money.

So what else do we need to do? (You mean there is more? Yes, there is...). We need to make sure we really do understand the importance of cash – cash investment, cash collection, cash conservation. We want “cash flow” to mean “cash inflow” not “cash outflow”!.

That means the management team/ directors need to be on top of the process. Using their skills, experience and understanding to steer the business through the R period.

By the way, if you think my prescription for success in the R period sounds a little familiar – well it should be! The right roads to recovery are of course about doing the right things – which all good owners, directors, and managers will be doing anyway. It is interesting what desperately vital expenditure can be cut in a recession – it is interesting that PLCs defend themselves after a hostile bid by doing what they should have done anyway – and it is interesting to see very capable management teams in panic rather than profit mode.

If the recipe for success sounds like too much to take on board, then you can always consider professional help – to understand exactly what you offer, who the target customers should be, what the most effective routes to market may be, how to build the right team, how to forecast sensibly, how to manage cash, and how to be the most powerful management team. Why not talk to us – we can help with some of those things, and we know others who can do the rest.

See you after the R –recovery that is.

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