

HOW TO SURVIVE THE RECOVERY

AS THE ECONOMY STARTS ON THE ROAD TO RECOVERY, THE BUSINESS COMMUNITY IN THE UK CONTINUES TO FACE A VARIETY OF UNEXPECTED CHALLENGES. WHAT SHOULD FDS OF SMES BE FOCUSED ON? WHAT ARE THE SKILLS AND TOOLS THEY NEED TO MEET THOSE CHALLENGES SUCCESSFULLY? **RICHARD SIMPSON** SUGGESTS A SEVEN-POINT PLAN FOR HOLDING THINGS TOGETHER AS THE DOWNTURN ENDS.

GET THE INFORMATION YOU NEED TO MANAGE CASH EFFECTIVELY

Although we are no longer in recession, the economy remains decidedly weak. Availability of finance is patchy and companies (and therefore FDs) must, above all, be focused on cash. As ever, the FD needs a tight grip on all aspects of the business and a realistic plan. So management information must be available on demand and focused on the key drivers, and the business must have a flexible and robust model to enable it to understand the impact of decisions. Most importantly, all decision makers must be working from the same set of numbers and must have bought in to the plan.

PROTECT YOUR KEY RESOURCES

With the right information and realistic expectations, the company can then cut its cloth according to its means and successfully manage its way out of the downturn and into recovery. Things will get better and, when they do, companies will look to their staff to drive growth. Looking after staff is just as important when times are bad as when times are good. Good people understand that pay, benefits and so on are likely to be squeezed when demand is weak. Honesty and openness – about bad news as well as good – will help to maintain and build trust and confidence, making it more likely that they will stick around when things get better.

PROTECT YOURSELF

All directors (but especially FDs) must be familiar with their legal responsibilities to creditors, and the risks (which include fines and disqualification) of failing to put creditors' interests first if the company is in danger of insolvency. It is vitally important for boards to be honest and realistic about future prospects, and not to allow their company to drift into unlawful trading. A board concerned about the at risk of insolvency should take advice from an insolvency practitioner and minute regular discussions about the company's ability to meet its obligations.

ADAPT THE MODEL TO THE SHIFTING ENVIRONMENT

There are always opportunities out there and once you're sure of short-term survival, you can start looking for and grasping them. They will include opportunities to reduce costs, grab market share and develop new product offers. The business landscape is changed by recessions. Competitors disappear, new business models emerge. The old ways of doing things will no longer cut it. So you need to be creative and opportunistic, and encourage your colleagues to be the same. And you need to be looking outwards. Make sure you are tracking activity of your key clients, suppliers and competitors. Be on the look-out for opportunities.

TAKE EVERY OPPORTUNITY TO CHANGE THE LANDSCAPE

So the FD must be thinking about the business model, be ready to challenge the orthodoxy and slay sacred cows. Can you use technology to cut costs? Will the Cloud or Software as a Service (SaaS) work for you? Suppliers should be challenged too: take opportunities to renegotiate contracts so that they achieve the optimal balance of price, payment terms, quality and flexibility. And what applies to upstream relationships applies downstream as well. Analyse your pricing and devise a pricing policy (or revisit the policy if you already have one). Make sure you understand where you are making money and why, and aim to move towards value pricing.

MAKE SURE FUNDS ARE IN PLACE FOR GROWTH

History suggests that more companies go out of business in the months after a recession than during the recession itself. Working capital needs will increase sharply as demand picks up and many businesses will not have access to the funds they need. The FD should be using his or her robust and flexible forecasting model to understand the needs of the company in a range of scenarios, and approaching funders to ensure that cash will be available if and when needed. Get in early: you don't want to be negotiating desperately for additional funds at the eleventh hour. Make sure that you examine all the options: asset-based lending, the Enterprise Finance Guarantee, state-backed growth funds, angel investors, private equity (to name but a few) are all open for business.

BE PERSUASIVE AS WELL AS ANALYTICAL

The downturn has played to the classic strengths of the FD: analytical skills and cold, rational judgment. Recovery, and exploiting the opportunities that go with it, will require different traits, particularly creativity and the ability to persuade. Now is the time to start working on those skills, perhaps by using a mentor. When everyone knows that cash is tight, it is easy to win arguments about cutting expenditure. To win arguments about which opportunities deserve investment and which don't, the FD needs excellent influencing skills. Presentation – both written and verbal – becomes vital. Work on your personal style and on the look, feel and content of the reports you issue. It will be time well spent.

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