

Craig McIvor: Taking control – how to steer your business through the bad times

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With a potentially severe economic slowdown upon us, business managers need to step up to the plate and show their co-workers and competitors that they are not going down without a fight.

Sadly for most New Zealand managers, they have never been faced with an economic downturn of this magnitude. Consequently, they do not have a palette of ideas and strategies they can use to help them to ride out the storm.

More than ever, businesses need to look closely at the real risks they face and start working now on reducing them by shoring up revenue streams, cutting non-essential expenditure and ensuring that money is collected from customers.

While in the past you may have been able to ride over small downturns by extending your overdraft, today that is highly unlikely to be possible.

Probably the most important tool in a business manager's arsenal right now is the cash flow forecast. Done correctly, it will highlight potential risks about payments and income and give you time to take some corrective action.

So are you ready for the types of corrective action needed? After the good times, managers are naturally optimistic about their business activities and their ability to delay the hard decisions and "trade out of it". The risk here is that before you know it, you may be beyond the point of no return, with your fate no longer in your own hands. To survive the Ice Age you had to evolve quickly or perish. It is no different now.

For those of you who are new to a looming recession, here is some advice that may help.

- * Work out what the core of the business is. If you don't know what is important and what is not, you are going to have a hard time choosing which things go in a cost-cutting exercise. Worse still, you may cut out the good bits.

- * Do "what-if" scenarios. For example, if our business was 30 per cent down next year, how would we need to be structured to survive? If we could get no more credit from the bank how would we continue to fund operations?

- * Understand your break-even levels. Most companies do not even understand what they need to do as a minimum to keep the doors open. Find out your break-even, then work out how you can bring this down. The lower the break-even, the less business you need to do to stay afloat. Create targets for sales and costs to achieve this on a monthly basis.

- * Don't rely on promises. If someone in your team says they will get the sales, then delve deeper into whether this is real or not. You cannot afford to risk your entire future on promises. This may mean you need to be more hands-on.

- * Make a decision. Once you have the information in front of you, decide on a course of action and stay resolute. More time is wasted at this stage than any other and it can be terminal to businesses as owners fret about (usually) what others in the industry will think. In any case, if you survive and they don't, who

cares what they think.

* For those managers in organisations who have profit and loss responsibilities, it is preferable to instigate cost-cutting yourself rather than having it imposed on you and your team by senior management. Be proactive. Get the team together and allow them to have input into how you can do things cheaper – you might be surprised at their ingenuity if it comes to a choice between their job and using fewer resources to get the same job done.

* Go about it the right way. Don't panic staff with dire predictions of the future. Your composure and leadership skills are required here in abundance. If not done in the right way, staff will simply give up, look for another job, or drown in negative thoughts of what you have predicted. Your staff are the ones who will be ultimately responsible for your success, so treat them accordingly.

* Keep people busy. We all feel better if we are working to a plan rather than waiting for fate to decide our future. Make sure you dwell on positive outcomes even if they are very small.

* Smile as you do your work and get others to do so as well. It will attract business. Make sure that any concerns you have stay within the company and are not communicated to suppliers or customers.

* Be honest with yourself. Sometimes it is better business practice to cut your losses and run. It may be best to move out of certain parts of your business that are not looking so good. A swift demise is sometimes better than death by a million cuts.

Most of this advice is just common sense, but when pressure and stress come into play, we are often incapable of simple decisions.

Police are trained to still function when confronted with very high levels of fear and anxiety. Some victims of violence are unable to even dial 111 because of the stress they are under.

For many business owners and managers, the stresses they feel, with a failing economy and a weaker business environment, are no less real.

Being prepared with strategies and mindsets will assist you to make good decisions that will be the difference between being a casualty or a survivor in the next few years. Craig McIvor is the managing director of Corporate Management Advice Ltd

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