I- reducing receivables by actively managing customer credit

iv) optimize your financial structure and financing options by

- reducing debt and other liabilities

- securing access to lines of credit

- securing access to equity capital by tapping non-market sources, such as superannuation funds

NB Look for ways to strengthen balance sheets by reducing debt and other liabilities, such as operating leases or pension obligations

b) the current business (loosely-run operations, sluggish unit sales and over-extended organisations are vulnerable to economic shocks)

i) reduce costs and increase efficiency by

- discontinuing long-standing activities that add little business value

- reviving earlier efficiency initiatives too controversial to fully implement in better times

- streamlining the organisation by reducing levels of organisational hierarchy, consolidating or centralising key functions, etc

- analysing current supplies and buying practices by reviewing supply chains, standardizing components, etc

- re-examining the economics of going offshore

NB Need to be careful of purely reactive action, such as slashing marketing and/or core research and development, etc which could have a negative impact on your performance when the recovery comes.

ii) as cash becomes critically important, aggressively manage the top line by

- revitalizing customer retention initiatives (so that existing revenues are protect) and identifying ways to generate additional revenue from your current business

- realigning sales force utilization and deploying incentives to generate additional short-term revenue

- reallocating marketing spending toward immediate revenue generation

- considering more generous financial terms for customers in return for higher prices

iii) as purchasing behaviours change in a recession, rethink your product/service mix and pricing strategy by

- offering lower-priced versions of existing products

- identifying products for which customers are still willing to pay full price

- considering creative strategies such as result-based or subscription pricing

- unbundling services and adopting "a la carte" pricing

NB Determine how the needs, preferences and spending patterns of your customers, whether individuals or corporates, are impacted by the downturn.

iv) reduce planned investments and sell assets by

- establishing stringent capital allocation guidelines

- shedding unproductive assets that were difficult to dispose of in good times

- selling non-core businesses (including peripheral or poorly-performing operations) and focus on core businesses

NB At the same time be prepared

to invest in activities, such as marketing, R& D, product development, technology, etc that are best for the long-term future of the organisation

to be opportunistic about potentially good investments/consolidation, etc as history shows that the best deals occur during a downturn

to rethink your business model

c) share price (a strong market valuation relative to rivals is important in raising capital and acting on acquisition opportunities. Markets reward strong balance sheets with low debt and secured access to capital)

i) inform investors and analysts of your recession preparedness

ii) consider opting for dividend payments rather than share buybacks

Once the above analysis is done, then rapid implementation is important. Some obstacles to implementation include

- insufficient understanding and appreciation of the evolving crisis

- senior management's lack of appreciation and commitment

- failure to see how individual initiatives are part of a comprehensive plan

- lack of attention to the human element.

In preparing for a slowing of the economy, there is a better approach than the 'slash and burn' approach that has been used in the past. You need to review your business and understanding of products/services by asking:

- how has our business performed relative to our competitors?

- why do customers prefer to deal with us?

- what do we have to do to make a profit?

- what costs need reducing?

(Some suggestions for reducing costs include reducing internal overheads - back-office or warehouse - lowering inventory levels, non-core assets and/or under-utilised assets can be cashed in and/or outsourced, hiring casuals instead of permanent staff, delaying major capital expenditure, increasing the repair and maintenance of old equipment so that it lasts longer)

Continue to conduct the appropriate "naval gazing" activities

Innovation in the past has focused on growth opportunities, such as new products and services, marketing innovation, acquisitions, etc. In the current crisis there will be more innovative focus on operational issues fundamental to business health.

Some Other Suggestions

Review your customers' records to determine segments, sub-segments or individual accounts that will be impacted by the downturn in the economy

Rank your customers by size, profitability, recession resilience and loyalty

Increase communication with customers

Reassess your product/service ranges

Focus on value with products and services (including additional services)

Simplify your range of products and services

Guard against employee defection by calibrating non-financial benefits to staff, such as career enhancement, comradeship, challenges and recognition

Prepare the offensive strategies for competitors' price cuts (including reviewing of advertising and marketing spending. Remember: brands which reduce advertising expenditure can lose market share)

Focus on micro trends in particular markets

Prepare strategies for an upturn, including recapturing business lost to low-priced competitors

Summary

In summary you need

"...the three big ideas are awareness, resilience and flexibility...... awareness because things can move very quickly, resilience, which is to plan for the worst and the best case, and flexibility - you need to be ready to act..."

Michael Rennie as quoted by Peter Roberts, 2009

(sources: Jason Daniels, 2008; David Rhodes et a, 2009; Peter Roberts, 2009; Glenn Mumford, 2008 ; Stephen Wyatt, 2012)