

How to . . .

. . . prepare for an economic recovery

Carly Chynoweth says that steps taken now can ensure you prosper after the downturn

It will happen

1 "Some people are forgetting that things will turn around," Stephen Archer, the founding director of Spring Partnerships, a consultancy, said. "If you don't remember this, you will end up in a worse position when it does come."

Look outwards

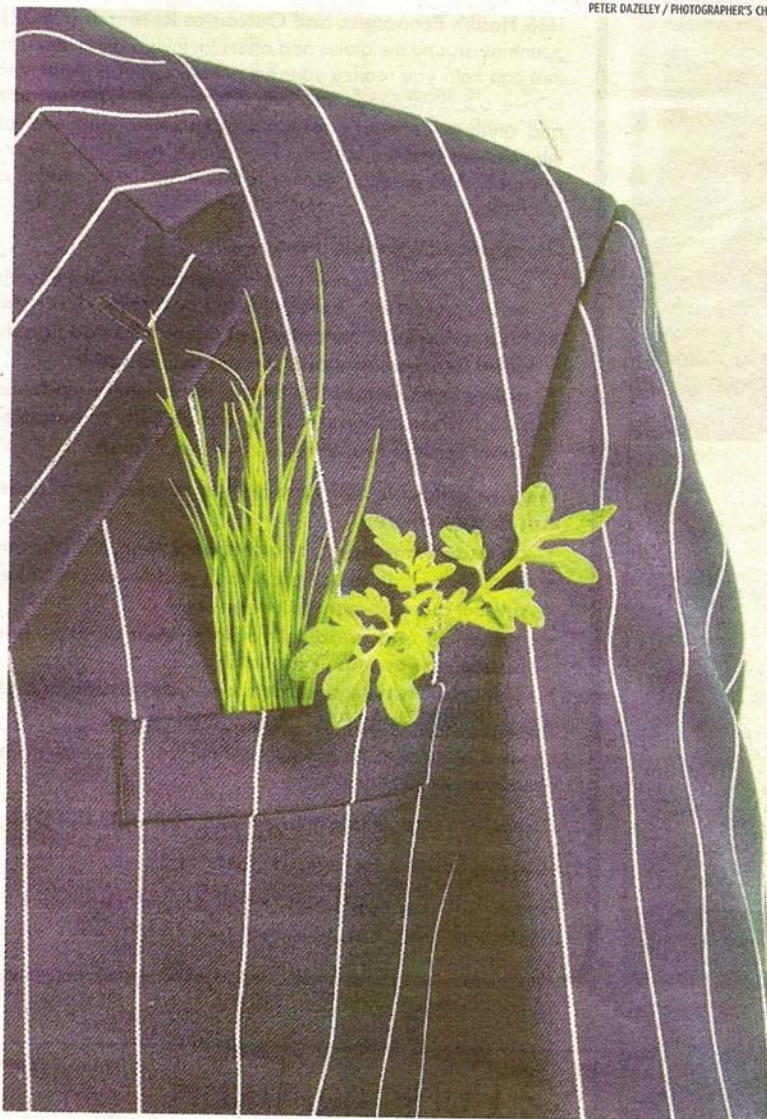
2 Do not let a focus on your own business prevent you from looking at what is happening elsewhere; this can mean missing opportunities that come up when, for example, a competitor fails or a potential new customer enters the market. "Look at what your customers are doing, at what your competitors are doing," Mr Archer said. Don't be afraid to steal competitors' good ideas.

Learn from history

3 "In an ideal world, every company would enter a recession led by a team of grizzled executives who could draw on their experiences of past downturns to guide it through the current one," Bin Jiang, Timothy M. Koller and Zane D. Williams write in *The McKinsey Quarterly*. If you have this resource, use it. If not, take time to analyse how your industry recovered during the previous recession and plan accordingly. For example, executives who do not realise that their industry tends to recover before the economy as a whole may not be prepared in time.

The new world will be different

4 "You have to deal with the situation as it is now, but are you also thinking about what your business could be like in the future?" Gerry Johnson, Emeritus Professor of Strategic Management at Lancaster University Management School, said. "Are you thinking about what those different futures could be?" Use scenario planning to work out how you would position your business to make the most of situations, such as a shift of economic



PETER DAZELEY / PHOTOGRAPHER'S CHOICE

Nurturing the green shoots of recovery now will reap a rich reward later

power to the Far East. Also, consider possible social, environmental and governmental factors and possible legislative changes, Tony Manwaring, the chief executive of Tomorrow's Company, a think-tank, suggests. Failing to do this "creates a real risk that businesses will position themselves in the wrong marketplace for the long term".

Understand your value

5 Be clear about what customers value, what you offer and what others do not, Professor Johnson said. If you do not know

this, you risk cutting — or failing to invest in — the bits you will need when the economy improves.

Spend

6 Marketing and product development often bear the brunt of cost-cutting, but businesses need to keep these departments active, Mr Archer said. Look for low-cost PR options — for example, e-mail campaigns rather than television advertising. "You have to be out there talking to people to retain your position in the marketplace," he said. Equally, R&D

has to be maintained. "When the market picks up, customers will expect new offerings," Mary Clarke, the chief executive of Cognisco, a workplace knowledge company, said. Keep budgets tight by focusing on ideas that will bring benefits within the next three years while slowing down longer-term projects, Mr Archer said.

Invest in employees

7 "When the market recovers, it will be more competitive than ever, [so] managers need to ensure that their employees' skills are sharp," Ms Clarke said. Try to give your best people bonuses even if you have to cut the overall number who receive them, Professor Johnson said. "In situations where organisations are cutting back, if they don't provide for their best people, they will lose them," he said. The flip side is that it may be a good time to poach good people from competitors.

Take a holistic view

8 Review every facet of business activity, assess your competitive position and do not be afraid to challenge received wisdom, Shumeet Banerji, the chief executive of Booz & Co, the consultancy, writes in the magazine *strategy+business*. This may mean, for example, "exiting some segments and competing harder in others, including through the acquisition of less well-managed competitors".

Look at financing options

9 "When the markets turn, those that can immediately take advantage will be the biggest winners," David Thomson, the chief executive of Close Invoice Finance, a financial services business, said. "Businesses need to be poised to move from a capital conservation mode to investing in growth." In many cases, building a war chest is a pipe dream, so it is worth exploring alternative sources of finance, he said.

Stay positive

10 If senior managers look fearful and pessimistic, staff will behave that way, too. "There will always be things to be positive about," Mr Archer said. "It's too easy to be negative and to get down about things but there will always be opportunities if you have the cash to keep things going."