

# Business Leadership in Adversity

By John R Wright



In today's very challenging market environment there are a whole raft of actions that should be taken at once (if not already dealt with). The essence here is 'speed'. In a rapidly declining market, time is not an available luxury; the imperatives are stark – face the facts or you won't be in business much longer.

The conservation of cash has got to be of the highest priority, all efforts must be made to ensure that outgoings are conserved and incomings are accelerated to the maximum extent possible. Cash is king.

A company's customer relationships are tested to the extreme in these tough circumstances. It's absolutely imperative to work closely with customers and to ensure that service quality and product quality are both of the highest possible order. There's no room here for deviation as one cannot afford to lose a valued customer.

By the same token the credit quality in relation to customers assumes new levels of importance. It would

be disastrous to do the hard yards in respect of cash generation etc. and suddenly find that one had a large bad debt on one's hands. Much higher levels of due diligence are required.

There are also opportunities here to cement relationships (or otherwise) with ones suppliers; they must be prepared to absolutely step up, look at the company strategically and to understand what is required for them to continue as part of a very much more demanding supply chain.

Love your banker. I fully appreciate that that can be a little hard to do in the current environment, especially as it is very largely due to the incompetence of the leaders of banks that we are in the mess in which we find ourselves. However, needs must. Cosy up to your account manager, ensure that he or she is absolutely in possession of the latest management and financial information at all times. Overkill in this space will not be a problem.

Vitally important for the company's management is to demonstrate to the bank absolutely clearly that not only do they understand the challenges; they are willing and able to act on the issues that have arisen and translate those actions into clear financial and business projections over which they can stand and feel confident. Any deviation from already submitted projections should be flagged up at once and brought to the account manager's attention.

Also with one's banks, it is important to understand that the individuals that we are dealing with are very largely in a 'no-win' situation. There will be many of them quite concerned about their future employment and who are consequently quite unwilling to deviate a single inch from the strictures that have now been imposed from on high (would that these strictures had been applied over the last 7 or 8 years). So it is important to understand in these discussions that commercial property assets are present in almost any business and these have been very often diminished in value by the market environment of the last couple of years. This may very well mean that the bank's 'standard security' is impaired and that covenants might be breached. So it is important to be on top of this situation and be close to the bank before they themselves discover it and start to impose sanctions. Those sanctions can involve either the removal or reduction of the facility or substantial re-pricing.

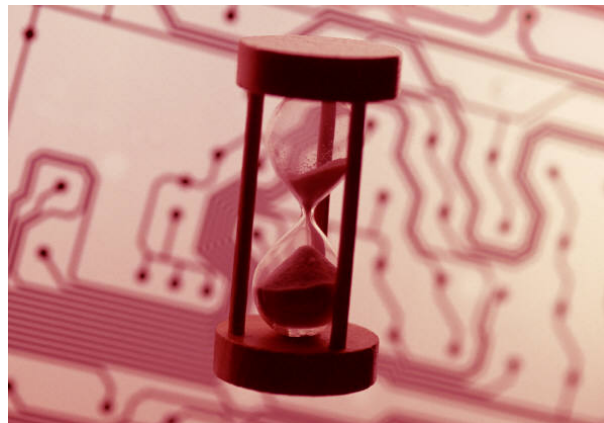
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In summary, in looking at the actions, “don’t blink”, move quickly, execute brilliantly and don’t be in the situation where you are “thinking about the actions that you wish you had taken”.

In these demanding circumstances business leadership is even more vital than it is normally.

The change management competency of the senior executives will be challenged in the extreme.

One’s colleagues and staff will be “caught in the headlights”; there will be the usual rigidity of thinking and reluctance to change, the attitude “it’s not my problem” will often prevail.



This means that leaders have to robustly communicate the absolute reality of the situation. The workforce as a whole must be fully briefed and engaged in the process. Individual roles must have absolute clarity and the leaders must create a vision of the future which looks beyond the current crisis. In other words, while there are tough times ahead in the near term; if the actions that are agreed are taken then we have a chance to reach the opposite shore and come out the other end stronger and better.

Individuals at the top are required to take absolute personal responsibility, to put everything on the table, no ‘sacred cows’ and to ensure that a high degree of teamwork right across the business is enabled. This means considerable levels of trust, open and honest communication, mutual support and collaboration. This is very easy to say, very difficult to deliver. However, I absolutely firmly believe that if these actions are taken and the implementation is well lead as discussed then companies will have a chance to emerge into the brighter light at the end of the tunnel over time.

It will be so important to take the time to support, encourage and reassure ones people. Ensure that when cuts bite, the pain is shared equally by management and staff alike and also, and equally important, when the ‘good times’ return the gains are also shared – “everyone is in this together” must be the message.

The current crisis has thrown up innumerable instances of unethical leadership behaviour and poor business practice which seems to have permeated large pieces of our business culture in recent years. As we build for the future it so vital to build an ‘ethical culture’ to establish robust values, to understand ones responsibilities to the stakeholders and the community and to create a sustainable proposition. The foregoing is by no means a panacea but at least I do hope it will give the reader some sense of the issues that face all businesses in today’s environments and how the impact of ‘Le Crunch’ might be mitigated.

There would seem to be no doubt the companies that are able to take the necessary actions and where the leaders can create a vision of the future and a path through the morass, will be in extremely efficient shape when the global economy starts to improve. They will be lean and focussed, and in an excellent position to grab opportunities. Acquisitions will be inexpensive, market share will be there to be taken and there should be a good availability of first class people at sensible prices to add to the Team.

Go for it!

*John Wright, a Director of the Arab-British Chamber of Commerce, has a distinguished career in banking in the Gulf.*