



BY GARY W PATTERSON



The Road to Economic Recovery Is Basic:

TAKE CONTROL AND GET REAL

IT IS THE BEGINNING OF THE YEAR, AND ALREADY PUNDITS, POLITICIANS, POLICYMAKERS AND ECONOMISTS ARE PREDICTING DOOM AND GLOOM FOR THE FUTURE HEALTH OF A GLOBAL ECONOMY.



When we ushered in the twenty-first century only a decade ago, we accepted a new mindset and a new world order: the economic actions of one part of the world would have a direct impact on another part of the world.

We only have to reflect on the tsunami and nuclear disaster in Japan, the dismantling of Middle Eastern societies and political structures, America's crumbling, easy credit-driven model and the turbulent banking industry worldwide, including the eurozone debt crisis, to understand the notion that the world today has grown smaller, and that all economies are inextricably interconnected.

With that understanding, every business and every industry in every country has to adopt a global mindset when seeking solutions applicable to their own business and industry. Therein lies the rub: in order to redress the world's meta-economic woes, businesses, industries and governments need to turn inward to examine and correct their own micro-economic issues.

In times of crisis – like times of war – human beings have a tendency to return to the basics: food, shelter, caution and self-preservation. Today's economic crisis is no different: it calls for business leaders to return to the commercial equivalents of these basics.

Below is a roadmap to help executives begin to think of the fundamentals of their business in an effort to ride out the economic storm.

Cash is food

Business leaders who live by the principle that liquid cash is the bedrock [read: food] of their companies' survival are in the best position to fortify their companies' leadership position today and in the foreseeable future. In fact, cash is so critical to a company's survival that banks don't even want to lend it! What does that say about its value?

To survive in today's economy, executives must change their approach from leveraging their credit lines with banks and other lenders – which may be impossible to do – to creating a solid reserve of cold cash. To this end, executives need to develop an accurate budget that reflects cashflow accountability for the next six to 12 months.

Once leaders start thinking about the bedrock of their businesses (cash), they'll start exploring other strategies to improve their cashflow, from pursuing new opportunities, shedding areas of their businesses that are cash drains, to liquidating useless or underperforming assets.

Shelter: the ability to keep your doors open for business

Today's economic conditions require that executives 'get real' about their business and/or industry by replacing their pie-in-the-sky, wishful-thinking strategy with a fiscal vision that is attached to their company's bottom-line performance. Creating a fiscal vision makes a strategic plan measurable, so at any time the executive team can ascertain how the company is moving towards its goals in accordance with its financial objectives.

Let's face it, if your bottom line remains weak and vulnerable, it will become increasingly harder to withstand the vicissitudes of a volatile economy. In the end, a company's bottom line will determine who can afford to keep their doors open – and who will have to roll up the welcome mat.

Caution: creating a contingency plan

The nuclear meltdown in Japan or BP's oil-spill disaster should be convincing proof that every company and every industry needs a contingency plan to withstand a perfect economic storm of rapid change and uncertainty.

A contingency plan could be as simple as creating a crisis communication plan – or as complex as preventing possible ▶



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worst-case scenarios from becoming a reality. As we have witnessed, survival under extreme pressure does not come easily, if at all, to those countries and companies that are not prepared.

A basic contingency plan consists of the following steps:

Step 1: Identify the known or probable risks – whether they be big or small – your company is currently facing, while highlighting the catastrophic and critical risks that could level your company and/or industry if they were to occur. (Warning: This is the hardest and most frustrating step because it requires that the executive team be able to reach a consensus in identifying the risks.)

For those management teams that don't know where or how to begin, Standard & Poor's (S&P) has created a list of four major risk categories that can jumpstart the discussion: environmental, financial, management and supply risks.

Step 2: Develop an action plan that deals with the risks identified in Step 1.

Step 3: Make sure your executive team knows how to carry out the action plan if necessary. In this regard, your executive branch should see themselves as armed forces – prepared and ready for combat at all times.

Self-preservation: employing a skilled, forward-moving, innovative workforce and taking good care of it


This is probably the most fundamental principle of any business, yet, in my opinion, is the one principle not given the level of attention it deserves. In the final analysis, those companies that will weather the economic storm and come out victorious are those that understand the importance of two essentials: not only hiring the right people who have the skills, abilities, passion and

commitment needed to advance the goals of your company, but also creating a learning environment that fosters innovation, team spirit and a take-no-prisoner attitude.

I bet if you were to ask the executives at Apple how the economic woes are affecting their business, they would respond, "What woes? We're pumping out new products every day and our sales and customer loyalty are off the chart."

In view of the world economic crisis, we would do well to heed Albert Einstein's words, "We can't solve the problems by using the same kind of thinking we used when we created them."

We know that our convoluted, far-out strategies and shoddy lending principles got us into this financial mess in the first place. Doesn't it stand to reason that what is needed to restore world economic order is a return to the fundamentals of doing business?

If Apple can do it, why can't the rest of the world? 

ABOUT GARY W PATTERSON

Gary W Patterson, President and CEO of FiscalDoctor®, has worked with more than 200 companies spanning supply-chain, high-tech, transportation, construction and service industries. He is a well-known speaker on enterprise resource management (ERM), operational risk management (ORM), strategic budgeting, risk analysis, leadership and change management.

Patterson is the author of *Stick Out Your Balance Sheet and Cough: Best Practices for Long-Term Business Health*, which includes resources on strategic planning, cost containment and avoidance, contingency planning, contract negotiations, finance and risk management, due diligence and information systems technology.

For more information on the FiscalDoctor, visit his website at www.fiscaldoctor.com. Patterson also offers a 'free' fiscal fitness test at www.fiscaldoctor.com/fiscaltest.html.