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FOCUS

The recession's wake brings new opportunities to explore

GUEST COLUMN

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America recently experienced an economic downturn unprecedented in nearly 80 years. The abrupt collapse of the capital markets and its ripple effect across all sectors of the economy left many businesses scrambling to survive. Much like a ship caught at sea in a raging storm, many privately held businesses had little choice but to batten down the hatches, hunker down and ride it out.

A business, however, cannot afford to simply drift aimlessly with the economic currents and hope revenues return to pre-recession levels.

The events of the past couple years prompted many companies to downsize and cut costs. However, a business can downsize only so much before it compromises its ability to remain economically viable. As the economy improves, a company should consider taking a proactive approach to growing its business and increasing revenue.

The recession affected more than merely the revenues of businesses – it changed consumer attitudes and altered business operations across all sectors. In its wake, the recession left a new business paradigm.

Individual businesses will be affected differently and need to understand how this new paradigm may impact future operations, growth opportunities and, in some cases, basic financial viability. To understand the effects of this new paradigm, a company should evaluate its industry and general market environment to identify the changes that occurred and understand the impact of those changes.

A similar evaluation can be performed at the company level. In doing so, a company can identify potential areas of future growth and opportunities to increase revenue, and identify company weaknesses and potential limitations on the company's ability to capitalize on such opportunities.

NEW LENDING LANDSCAPE

Although capital may be available and lenders may be willing to lend, a new regulatory landscape makes borrowing more difficult.

A company can review its financial status with its current lender relative to immediate capital needs and potential future capital requirements in order to identify balance-sheet issues and other lending concerns unique to the company. In some cases, lenders today place additional emphasis on the quality of receivables on the books, which can materially modify a company's borrowing base. Thus, the financial condition of major customers may adversely affect a company's borrowing capabilities.

Lastly, several different sources of capital are available today and the company should explore these alternatives to conventional bank financing.

TALENT POOL

Another resource important to the operation of a company going forward is its employees. The continued success of a company depends on the quality of its employees, and the future availability of qualified employees directly affects potential growth.

With all the downsizing and business closures that occurred, a diverse talent pool of potential employees exists today. A company routinely should evaluate its human capital, identifying current and future needs. Although the company may not intend to expand its workforce today, it should be aware of the talent available, if and when the need arises.

In good times, companies often are complacent and overlook marginally productive employees. In more challenging times, however, employee productivity is imperative to maximizing profits. Evaluating present employees relative to the available talent pool may present opportunities to improve productivity, now and in the future. The availability of qualified employment candidates moving forward is critical to a company's ability to execute its current business plan and any future growth strategy.

Whether retail or manufacturing, the stability of the supply chain is also critical to continued success, particularly if a company depends on one key supplier or a small number of specialized suppliers and vendors.

A company needs to understand the financial stability of its current suppliers and evaluate the impact on the business if a key supplier should fail or other disruptions occur in the supply chain. Understanding the limitations of current suppliers and identifying alternative supply channels will help identify potential limitations on growth.

With change, comes opportunity. Opportunities may exist post-recession to increase market share or expand into new market areas. There may also be opportunities to acquire or merge with a competitor, acquire a complementary business or form strategic alliances or joint ventures that were not viable or available before the recession.

By obtaining a better understanding of the dynamics of this new business paradigm and the resulting effects and limitations on individual businesses, managers can proactively plan to position their companies to capitalize on future growth opportunities.

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