

■ Tips to recession proof your business

How is your business positioning itself for the downturn? Here are some tips on how to recession proof your company from John Jocys, managing director of advisory firm Business Reflections.

Relationships: Develop relationships through database management techniques. Look after your top customers. Keep yourself top of mind to keep away competitors.

Value: Avoid the temptation to focus on the cost of everything and the value of nothing. Create value. For example, focus on quality, benefits, information, special offers, extra services, customer loyalty and relationship management.

Sales: Look for innovative and integrated marketing strategies that generate higher sales by increasing the loyalty of existing customers and attracting new customers through an active referral system.

Cash flow: Sell non-core assets and convert these into cash. Keep a watchful eye on your debtors. Strong cash balance is important, so when funding starts to tighten up and customers pay their debts late, your business won't suffer as much.

Costs: Cut costs strategically. Cut fat not muscle. Analyse all business costs and calculate the effect on the business of cutting each cost and by how much.

Vision and strategic planning: In tough times, businesses instinctively become inward looking. What's happening on the inside of your business becomes the focus. But you can grow

and prosper by focusing on external opportunities such as the growing climate change pressures faced by other companies, changes like the first home owners grant, the shifting habits of Gen X, Y and B or online advancements.

Manage risks: This is about making sure any external shocks are managed. In any downturn there are risks around cash flow, funding, sales margins and so on. Businesses can also lose employees or clients.

Direct Marketing: Focus on direct marketing tactics to keep yourself top of mind. Measure all marketing activities to ensure you receive a positive return on your investment.

Sales: Drive your sales teams by setting realistic sales targets. Focus more on conversion rates, add on value, margins and so on to maximise your expenditure.

Training: Invest in training your teams. This is when you need high levels of performance in return for wages. But you need to give in order to get. Training is an investment - for example, in areas such as sales scripts, strategies and tactics, not just skills.

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■ Following through on risk management

While directors may be serious about embedding risk management into their organisations, their employees may not see this commitment being followed through.

Indeed, a survey on corporate social responsibility and risk management conducted by Insync Surveys and Sustainable Business Practices found that while 59 per cent of employees agreed that their organisations were committed to identifying and reducing business risks, only 39 per cent of employees said their organisation had effective processes for identifying and preventing non-sanctioned actions.

Insync Surveys' chairman Nicholas S. Barnett warns that attention to risk management is becoming more crucial as the economic landscape toughens. "We are coming out of a benign risk environment where we didn't have many bad debts and profits were rising. Things have changed and directors need to be more vigilant and in tune with the new environment. They need to respond now and not in 12-months time when they've already experienced problems. Risk management was important before, but it's become more important now."

Barnett says embedding a risk management culture into an organisation has to start right from the top - the board. "You can

say all the right things, but if you do one little thing that goes against it, all your great statements will be knocked apart. You have to walk the talk."

"But while the board may set the right tone, there will be strife if the CEO doesn't reinforce the message," he adds, noting that risk management systems, processes and culture also have to be aligned with the business's vision and strategy. "People must get it. It must fit."

He adds: "Surveys give averages, but there's no point being good on average at risk management if there are pockets of problems. A rogue trader lost A\$8 billion for Société Générale. Directors and senior management need to know what their pockets of risks are."

They can do this, he says, by undertaking surveys of their organisations and making sure they have established effective whistle blowing processes where staff aren't victimised for speaking out and management and the board are open to hearing critical feedback about problems. Risk management should also be a focus during the induction process for new employees.

■ Still better carbon reporting required

Australian companies are stepping up to the challenges of climate change reporting but still have a way to go, according to the Carbon Disclosure Project's (CPD's) latest report.

The CPD had its strongest response rate yet with 72 per cent of ASX 100 companies answering its 2008 questionnaire, up 26 per cent from 2007. Australian companies also exceeded their international peers in greenhouse gas emissions transparency, with 79 per cent of ASX 100 companies providing emissions data, compared to 71 per cent of companies globally.

But according to the report, more detail is required to ensure that investors can make an accurate and thorough analysis of the companies they invest in.

Indeed, VicSuper CEO Bob Welsh observes: "As major developed economies move towards the introduction of legislation for carbon reduction, more advanced corporate disclosure on carbon performance and its implications through the business supply chain is urgently needed.

"Because of their exposure to industries across these economies, institutional investors need companies to understand and transparently disclose their carbon footprints. It is critical that strategies to deal with both the associated risks and opportunities for businesses arising from climate change are developed and are clearly communicated. Effective reporting is vital."

He adds: "Although the responses by companies to the CPD have generally strengthened in 2008 compared to 2007, much more action is needed. As global greenhouse gas emissions continue to

soar and scientific indicators increasingly point towards outcomes that are beyond predicted worst case scenarios, institutional investors and the companies they own have a significant part to play in avoiding catastrophic climate change impacts."

While 91 per cent of the ASX 100 respondents listed regulatory risks as a major concern in this year's poll, many seemed to have difficulty in translating the various regulatory measures they identified into actual exposures for their company.

The report observes that few provided any details about the specific impacts of regulatory measures they were exposed to. "By not adequately providing information on company specific exposure, including the level of exposure, companies are transferring a large portion of the risk assessment process from within their control to the purview of the investor. It was notable that respondents tended to provide more satisfactory responses to the question on physical risks, where they were better able to outline the potential exposure for their companies."

Yet, only a very small number of companies mentioned the actions they had taken to counter the physical risks they had identified. The most common action was greater water conservation and developing water recycling facilities. The report notes that this limited response could present significant investment risks in the longer term and is potentially of concern to large long-term investors.

■ Why talent succeeds in turbulent times

A host of special characteristics enable some executives to cope better than others in tough times, says Dianne Jacobs, founding principal of The Talent Advisors.

These traits include continually designing their career strategies, sharing knowledge, connecting and collaborating with diverse networks, working on what truly matters and having champions or trusted mentors. They also craft a personal leadership brand and capitalise on their hard-earned franchise.

Jacobs says achievement-oriented executives want to be and do their absolute best – and put in the effort to achieve this goal. Rather than waiting for the next white water rapid, they already have their strategies in place to realise their potential and leave their mark.

“As they are macro- and micro-centric in their perspective, top talent view the action from both the balcony and the dance floor. They continually adjust their mindset about the future, while striving for exemplary results today. An insightful SWOT analysis of the personal, role and industry context in which they operate enables them to list a range of options so opportunities can be identified, prioritised and realised. All of this is articulated into their action plan,” she says.

She adds that while top executives know how to solve a problem, they also know how not to get into the problem in the first place. “They are smarter about the career curve, recognising when to go upstream to develop a new strategy or further options. Having come to terms with the fact that some skills, while effective, have

a use-by date, they look for ways to renew, up-skill and re-position their capabilities.”

Jacobs says top talent are not only clear about their purpose, they are also clear about their identity and how they want to be perceived. Knowing their signature strengths and what makes their personal brand distinctive positions them more effectively with stakeholders. They use this to frame, control and influence others’ views of who they are and what they can accomplish.

“With high levels of self-efficacy and a greater comfort for ambiguity, these movers and shakers are willingly trying different things to achieve greater returns. Being confident due to their internal locus of control, they believe they can make things happen, taking responsibility for opportunities while understanding risk and how to manage it. They trust, but verify. They know what can and cannot be changed. Rejection is just one more opportunity to demonstrate their skill, innovate or test the status quo.”

According to Jacobs, the A-list also understands that advancing is often as much about playing by the rules – including the unwritten rules – as it is about talent and results. And, they are motivated by making a difference, doing interesting and challenging work that has meaning, making a particular choice at a difficult moment with professional integrity and having done something of which they can be proud. It is not primarily about financial reward – the best people can always get that.

■ Principles can ease disaster impact

Could the Caux Round Table's (CRT's) ethical principles for business have helped alleviate the current turmoil in global financial markets? According to Stephen B. Young, CRT's global executive director, the answer is yes.

"Had the boards of directors and senior managers of Bear Sterns, Lehman Brothers, Merrill Lynch, Citibank, Morgan Stanley, Goldman Sachs, Washington Mutual, Freddie Mac, Fannie Mae and others who thrived for a while off the issuance of sub-prime mortgages and CDOs taken their CRT responsibilities more seriously - and insisted on products and sales strategies consistent with those practices - there would have been less risk injected into the global financial system and less provision of unsustainable financial products," he argues.

The CRT is an international network of principled business leaders working to promote a moral capitalism. Its principles, first published in 1994, state: "The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability ..."

According to Young, those groups that recently buckled failed to do this. "Their decision-making was wrong-headed in the accumulation of too much debt and in setting imprudent values on certain financial assets such as sub-prime home mortgages

and CDOs. In their collapse, these firms caused a contraction of markets, thus erasing wealth and employment in violation of what the CRT advocates as the primary obligation of business firms."

He adds that the current crisis was caused by a failure to provide quality products at a price commensurate with their inherent worth - going against a key CRT principle. They also broke the principle that businesses have a role to play in improving the lives of all of their customers, employees and shareholders by sharing the wealth they have created.

"Here has been the greatest harm done by those who created the unsustainable markets in sub-prime mortgages and CDOs - they destroyed wealth and made worse the lives of many customers, employees, owners, creditors and communities," says Young.

Many other CRT principles were also broken. For example, owners or directors of businesses failed to "apply professional and diligent management" and to "conserve, protect and increase the owner's/investors assets".

"These failures lay at the heart of the dynamic that caused the crisis. There was strategically poor judgment exercised in the development of these markets. Risk was exacerbated to the point of destabilisation. It was not properly foreseen or managed," says Young.

For more on the CRT principles, click [here](#).