

# ***Recession Brings Opportunity***

A guide for CEOs

**White Paper**

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## Recession Brings Opportunity

The uncertainties of recession create pressure for companies to take action. However, rising anxiety and the need to do something fast can lead to poorly coordinated initiatives that create new problems for an organisation. This distracts businesses from seeing the real opportunities that turbulent markets can create.

An orderly approach is essential, the first step being to address any looming exposures that will be magnified by intensifying financial pressures. Only then can a business be properly positioned to seize market advantage.

Large businesses have the resources to assign dedicated teams to undertake this type of risk assessment and strategic review. The involvement of independent strategy advisors is accepted as an essential tool, delivering specialist skills and process at a time when the business is under significant pressure and executives need the very best support.

SME businesses, however, often do not have the in house resources to assign dedicated teams, nor all the skills and processes required to move quickly in preparing for change. CEOs of these businesses are faced with limited choices when looking for independent business advice. Many end up trying to leverage their own peer network for informal support, some join 'self help' business groups, often paying expensive subscriptions out of their own pocket. Many simply carry the entire burden on their own shoulders and rely on their instincts only.

*The current climate calls for something different.*

Duet Partners has a fresh proposition for CEOs of SME technology businesses that are looking for short term operational and strategic support:

- We are an experienced team of former SME technology company executives that have lead businesses through previous recessions. We each have 25 years of operational business experience. This resource becomes an immediate extension to your own team.
- We have specialists in all the core business disciplines. Our role expertise includes Chairman, CEO, CFO, and General Counsel, and we have experts in Corporate Finance and Industry Research. We can be your first port of call on almost any topic.
- We are highly flexible in our approach as each business has unique demands. We can work on a project basis or as an executive coach to the CEO, assisting as the need arises. We make knowledge transfer a strong feature of every engagement. Our objective is to equip you for better times ahead.

***It's not the will to win,  
but the will to prepare to win that makes the difference.***

## Step 1: Weathering the storm of recession

### **An orderly approach**

For any business, the first step must be to address any looming exposures that will be magnified by intensifying financial pressures.

Developing a check list of potential vulnerabilities is the immediate priority. Whilst this list will vary from company to company, there is a basic set of priorities that any business should evaluate.

The list should cover the 4 core areas of risk:

- 1. Operating fundamentals**
- 2. Financial resilience**
- 3. Organisational capability**
- 4. Legal compliance & risk management**

What immediately emerges from a list of basic risk mitigation tasks is how diverse the range of topics is. SME executive teams, already stretched in resource and often without the necessary change management skills within the team, will inevitably look for short cuts.

**Ask yourself, if we had to provide a risk assessment on these topics at the next board meeting, how would we measure up? What action plans do we already have underway? What have we done in the past week to mitigate risk?**

The list below provides a starting point.

### **1. OPERATING FUNDAMENTALS**

#### **Read the market like never before...**

- Increase the number of sources you use to monitor market news
- Improve intelligence gathering on the competition
- Increase face time with customers and prospects

#### **Maximise the top line aggressively...**

- Launch customer retention initiatives
- Change commission plans to reflect short term priorities
- Divert longer term marketing spend onto near term revenue generation

#### **Keep stakeholders aligned...**

- Communicate your plans to investors to maintain confidence
- Communicate regularly with suppliers and partners
- Refresh your web site, improve news flow

## **2. FINANCIAL RESILIENCE**

### **Model two contingency plans...**

- If the current plan can be labelled as 'good', create a 'bad' and an 'ugly' version
- Run P&L, cash flow and a balance sheet for each
- Review at least monthly. Expect the 'ugly' to happen.

### **Monitor and maximise cash...**

- Increase frequency of cash reporting and cash flow forecasting
- Reduce inventories & control any new obligations
- Tightly manage credit offered to customers

### **Financing options...**

- Reduce or restructure debt where possible
- Sell unproductive assets or IP
- Divest non core businesses

## **3. ORGANISATIONAL CAPABILITY**

### **Team skills & capacity...**

- Swap central costs for resources that accelerate revenue
- Reduce fixed costs and selectively outsource
- Make sure you have an up to date inventory of skills in your team before you let people go

### **Key contributors...**

- Step up non financial recognition
- Increase frequency of CEO contact
- Delegate more, keep everyone busy

### **Employee communication...**

- Don't sugar-coat the message. Tell employees what the stakes are
- Maintain a sense of urgency and provide regular updates
- All eyes are on you in the storm so maintain a clear vision and be consistent in approach

## **4. LEGAL COMPLIANCE & RISK MANAGEMENT**

### **Regulatory and Governance changes...**

- Recent changes in employment law
- Company structure, shareholding and other contractual agreements, licenses, permissions, authorisations, registrations and consents necessary to trade

### **Internal policies...**

- At least 20 policies are required to conform with current legislation, no matter how small your business.
- Have these been established and recently reviewed?

### **Risk management...**

- One senior exec must have overall 'project management' responsibility for monitoring risk
- The exec team must discuss risk and mitigation initiatives regularly
- Proactively assess legal and corporate implications of all contingency plans

## Step 2: Strategy

Having addressed the immediate vulnerabilities, the business is now positioned to attack new opportunities and create longer term advantage.

Progressive businesses realise that any form of long range planning in turbulent times is of limited value. For such businesses the concept of the big strategic review and the final definition of one corporate strategy through formal top down analysis is simply not relevant anymore.

**Instead, senior management is now devoting more time to create the conditions in which new strategies can emerge and evolve.**

For SME businesses, the real winners will be those that can 'reshape' their strategy to capitalise on the opportunities presented by a

recession. Whilst the case will often be made to expand into adjacent markets and products, often more dramatic benefits can be derived from a change in the business model or the position the business occupies in the food chain.

Ultimately, the most important considerations are those that impact financial leverage, for example those that will drive the top line further, minimise fixed costs, maximise valuation, or improve liquidity.

## SMEs need help

SMEs that adopt a coordinated plan to check that their house is in order first will make the greatest gains. The development of this plan will take some time and effort and for many businesses this will place additional challenges and demands on an already stretched team in the short term.

How can these be minimised?

Most SME businesses do not have the luxury of having all the expertise and resources on staff to address such peak demands. CEOs, under time pressure to ensure that their businesses are optimised, vulnerabilities minimised and strategies reassessed, realise they need help during such periods of intense activity, but the right kind of help is often hard to find.

SMEs that do find the right kind of support stand to gain on many fronts. Being inherently more nimble than large businesses they can benefit from almost immediate gains in operational effectiveness and move to quickly minimise vulnerabilities.

The longer lasting gains will then come through the re-evaluation of the business strategy to address new opportunities.

Any worthwhile exercise in strategy review will look at strategic options first, and then ensure that the ingredients are in place to deliver results. If the company's house has been put in order first, many of these ingredients will already exist.



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## Duet Partners

Duet Partners works with CEOs of SME technology companies to reduce operational risk and develop strategies for growth.

We provide an impartial and expert sounding board on the core organizational, financial, and legal issues that have to be addressed by leaders of early stage technology businesses.

Our team includes technology industry executives whose experience spans the full spectrum of Board and senior executive roles including Chairman, CEO, CFO and General Counsel as well as research and corporate finance experts.

We provide services either through a project based Advisory model or through our executive Coaching model. Both provide access to the expertise of the entire Duet team, coordinated through a dedicated Client Partner. In both models, we create an extended 'virtual' executive team for the CEO client to draw upon.

### **For more information:**

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