



By Barry Tidwell

MEMORANDUM

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TO: Middle Market CEOs

DA: March 2009

RE: Surviving through the recession

As the recession deepens, I wanted to share with middle market CEOs some advice and counsel that will help you manage your business effectively through the recession—and support your emergence on the other side of this thing more vibrant than ever. As a trusted business advisor to the mid-market for more than two decades, these guidelines have helped provide for the success of hundreds of my clients and friends, and they can work for you.

First, stay positive and upbeat. It's not counter-intuitive; it's what you must do now. As far back as the 1950s, business sage Earl Nightingale had observed that we actually "become what we think about," and others over the ages have advised us that "what we believe, we will achieve." You are a leader, and people will follow your example. A genuine bright spot? Temporarily low oil prices and affordable gas and diesel. However, know that oil will inevitably increase in cost again due to numerous factors.

We are still in a period of financial and housing turmoil, and we really do not know what the final effects of the financial stimulus packages will be. We are seeing a period of deflation right now. To combat that, the Federal Reserve Bank has artificially pushed interest rates to an all-time low. The low rates are a positive for right now. However, this period of potential deflation—or stagnant pricing—is almost certain to be followed by a period of hyper-inflation due to artificial factors. As such, you can

count on a rapid and dramatic increase in interest rates once inflation begins, as the Fed will want to control that phenomenon.

Because payroll is a major expense and cash is king now, you must be certain that each executive is providing maximum value to the organization. Have your managers adopt a system of personal accountability tracking for their direct reports that displays their weekly deliverables. Yes, this includes you as CEO. Managing and tracking weekly personal deliverables through weekly meetings for everyone in the organization, from the CEO down to the loading dock manager, will ensure development of a culture of accountability, dedicated to execution.

If you haven't done so already, work with your company's health insurer and get creative in restructuring your group healthcare plans. Do the same with your insurance brokers. You'll be surprised at just how innovative your vendors can be if they think you are shopping around, so shop around. They'll be incented to work with you to keep your business. Work with your CPA team to work out innovative federal and state tax payment plans, and renew your ongoing quest for tax credits anywhere you can find them.

Keep in touch with your banker and make sure your financial statements are on time, no matter how bleak they seem. Be sure to share all the news, good and bad. During this time of financial uncertainty, your bankers can be your best friend, if they know all the facts. Work closely with your CFO and CPA team to make sure you are painting a true picture of the company's financial health. You should adopt the philosophy of Mark Hurd, CEO of Hewlett Packard, who is proud to declare that he "tortures the numbers until they confess." Yes, credit is tight and banks are more averse to risk now than ever, but they are lending if the

right mix of risk and return is there. Work with your banker to get creative in financing.

Keep customer relationships strong, and that means you as CEO or owner must be reaching out to them personally on a regular basis to ask what you can do better or what new service you can provide them. You may hear a response something like, "You know, I have been meaning to contact you about a need we have that you may be able to fill," and voila, you have generated new business.

Resist the temptation to cut back on executive development and training. *The Wall Street Journal* observed recently that this is one area that must continue to have significant support because staff development will differentiate you when the recession is over.

The same goes for marketing expenditures, especially public relations and media relations. You absolutely cannot risk losing visibility in the marketplace because that equates directly to losing market share. Past recessions have proven that when businesses maintain their visibility during downturns, they emerge with increased market share. Market share is very inexpensive to maintain now, so keep the marketing budget strong. When the recession ends, and it will, you must be in a position to launch new products and services to quickly achieve expanded market share. Hopefully your competition will cut back on research and development, and you'll be the market leader then!

Reznick Group (reznickgroup.com) is a national leader in accounting, tax and business advisory services. Ranked among the top 20 public accounting firms in the United States, Reznick Group maintains offices in 10 major U.S. cities, with its headquarters located in Bethesda, Md. Tidwell, managing principal in the Birmingham Office, can be reached at 822-1010. ☐