

Down but not out: a survival guide for Directors

As the UK economy enters its deepest trough for years, perhaps decades, Tom Nash finds out how IoD members are coping with recession

Graeme Leach, the IoD's Chief Economist and Director of Policy, recently summed up the current business malaise: "After 15 years of economic growth the party is over," he said. So who is suffering from a hangover and what can they do about it?

The picture is far from uniform. In the "real" economy – outside the City of London's banking and financial services sector – the worst headaches have so far been felt in the property and construction sectors. Here, we talk to seven directors to find out how they are coping with the downturn.

CHRIS HARROP, GROUP MARKETING DIRECTOR, MARSHALLS

Quoted paving slab specialist Marshalls has been badly hit by the slowdown. It recently admitted a 15 per cent fall in sales to households over the last four months, as consumer spending has plummeted and its forward-order book is down by a third year-on-year. Another of its main markets, commercial building, is also down as funding for the sector has dried up. Not surprisingly, the company's shares have slumped.

Chris Harrop, the Group Marketing



Director – and a chartered director – is braced for "hefty declines in business this year and next", but he's far from downhearted. "When the cycle turns, we'll be in a strong position," he maintains. His optimism is based on the company's decisive actions, which have included cutting non-essential capital expenditure and careful management of cash and credit terms. "We've had to be tough with our salespeople, telling them to stick to insured credit limits, even when it means turning away sales," says Harrop.

Marshalls has cut capacity and headcount by closing two sites earlier this year. "We were ahead of the curve. If you're going to make cuts, make them early and quickly," says Harrop. "It's as much about keeping the remaining staff motivated as it is about letting people go as humanely as possible."

The company has also refocused its sales team on growth areas and creditworthy customers, notably in the public sector, where investment in schools and hospitals remains high.

VINCE CLANCY, CHIEF EXECUTIVE, TURNER & TOWNSEND

Vince Clancy, Chief Executive of global construction and management consultancy Turner & Townsend, also reports a decline in business from debt-funded house-builders, developers and, most recently, other corporates as they strive to conserve cash. But this is being offset by buoyant spending in the public sector and regulated industries.

Where projects are long-term, such as the 2012 Olympics, led by underlying demand, such as in the energy sector, or necessary to meet regulatory requirements, such as in the rail industry, investment is being maintained. While Clancy remains "concerned" about the

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economic outlook, he is not pessimistic. His advice is to stay close to customers, understand their challenges and raise quality. He also believes that, while it's important to cut costs and control expenditure, it's equally important to be alert to opportunities.

"We're trading broadly in line with our budgets for the last six months," he says. "We're fortunate in being in diverse markets and we're channelling resources into the better-performing sectors where we can see a good return."

CAROLYN ROBERSON, CAROLYN ROBERSON CONSULTING

A smaller beneficiary of spending in the public sector is Carolyn Roberson, who started her own company, Carolyn



Roberson Consulting, as recently as June. In her first six months, much of Roberson's work has been in helping firms with public-sector bids. In the current climate, she notes, "everyone is trying to drive down costs, more work is being tendered and more relationships are at risk."

Life is tough for start-ups and consultants at present and Roberson has had to "take a pragmatic, commercial view" about the level of fee income she can generate. But she specialises in working with professionals and has benefited indirectly from NHS investment and reforms. Among her first clients has been a group of four training practices of GPs that have formed a limited company.

"Many GPs running their own practices have the same problems as any other SME," she says. "I have worked with the company

in its formative months, helping them to think through their business strategy, apply for funding for start-up businesses and, most importantly, tender for and win two very large, new NHS contracts."

Roberson has three key pieces of advice to other start-ups. First, "find people and organisations that can help you", whether it's with finance, contacts or practical advice. Second, "do a really good job", which will help retain the loyalty of existing clients and gain referrals to new prospects. Third, "fill the pipeline", by looking to the future and establishing where new projects are likely to come from.

ANDREW HEDLEY, A MARKETING AND STRATEGY CONSULTANT

Andrew Hedley, a marketing and strategy consultant to professional firms, agrees that hanging on to existing clients is key: "There needs to be a strong focus on client management to lock-in existing relationships and retain the business they've already got".

Companies should "sense-check" their business strategy by asking themselves: "Are we heading in the right direction?" Now is not the time for expensive strategic mistakes, he adds.

Hedley predicts that the recession will lead to further consolidation among banks, law firms and others and therefore in the



meantime many are watching their discretionary spend very carefully.

"If someone leaves, they are not being automatically replaced," he says. "Although money is still there for investment, clients are being much more cautious."

“Although money is still there for investment, clients are being much more cautious,”



FEATURE: RECESSION

“Some businesses clearly acted quickly, cutting staff well in advance of the recession. In the last few weeks we’ve seen another dramatic increase. People are panicking”

DAVID DOUGHTY, CHIEF EXECUTIVE, THE OXFORDSHIRE ECONOMIC PARTNERSHIP



David Doughty, Chief Executive of The Oxfordshire Economic Partnership – a network of business support organisations, local authorities, academic institutions and Oxfordshire companies – has a “bird’s eye view” of his county’s economic activities. “Retail and house-building have been badly hit, but other sectors are looking quite robust,” he says. A key local employer, car-maker BMW, is shutting down for an extended period over Christmas, but medium-sized companies in expanding sectors such as technology and bioscience have been less affected. “The stockmarket crash has hit valuations though,” says Doughty. “Some firms have had to scrap fundraisings or AIM flotations.”

Doughty, an entrepreneur by background, advises fellow IoD members to maximise assistance from government. For example, significant grants – often 100 per cent – are available for training, which can improve efficiency and boost morale at a time of cutbacks and reduced hours. Similarly, register for VAT online, which assists cashflow by giving firms an extra 10 days to pay, and ensure you apply for R&D tax credits, if eligible. Your tax office will help you. Finally, consider applying for a free waste audit from your local council, “they can save companies thousands,” he says.

GAVIN WHEELDON, FOUNDER, APPLIED LANGUAGE SOLUTIONS (ALS)

Another entrepreneurial IoD member and Chartered Director, Gavin Wheeldon, has been among those lobbying the government to expand the Small Firms Loan Guarantee Scheme. He even set up a petition on the Number 10 website.

Wheeldon is founder of translation business Applied Language Solutions (ALS). Despite its success – this month entering the *Sunday Times* Fast Track list of the UK’s 100 fastest-growing private companies – ALS recently had to shelve an acquisition because of a lack of bank funding.



Wheeldon, whose personal wealth is reported to be £20m, shot to fame in Channel Four’s TV series *The Secret Millionaire*, in which he made donations to good causes. He is equally keen to pass on advice and encouragement to fellow entrepreneurs. “Get ready for the coming months because it’s going to get worse,” he says. “Make sure everything in your cost base is absolutely necessary – get rid of any ‘nice-to-haves’.”

But he is relentlessly positive. “If you’ve got a strong balance sheet and an appetite for risk, consider acquisitions and sales campaigns, now is the time to go after the market aggressively.”

To this end, ALS has balanced selective cost cutting by expanding its salesforce in the last month.

HELEN CLARKE, MANAGING DIRECTOR, JALUCH

It’s an ill recession that blows nobody any good. Helen Clarke, Managing Director of Jaluch, a human resources consultancy with offices in London, Reading and Ringwood, has seen her business flourish in the downturn.

“Not surprisingly, given the current climate, we are involved with numerous reorganisations, redundancy exercises and outplacement activities,” says Clarke. In fact, Jaluch’s sales have increased by 22 per cent in the past year.

According to Clarke, redundancies are very often ill thought-out and rushed through, typically by directors who are under pressure to deliver cost savings within a rigid timeframe, but who have little knowledge of current employment law. “They need to step back from knee-jerk reactions, increase planning and take proper advice,” says Clarke. “It’s costly to make redundancies, but it’s more costly to end up in a tribunal.”

The collapse of Northern Rock in September 2007 marked the precise start of Jaluch’s boom, leading to a boost in sales of 36 per cent in the immediate aftermath of the bank’s demise. “Some businesses clearly acted quickly, cutting staff well in advance of



the recession,” says Clarke.

But ominously for the wider UK economy: “In the last few weeks we’ve seen another dramatic increase,” she says. “People are panicking.”