

Do you have a recession survival plan? Ian Patterson offers a course of action for when dark clouds gather

# One day the sun will shine for you...

Is it just me, or is much of the media commentary at the moment predicting the end of the world as we know it?

I know bad news sells, but surely it is dangerous for journalists and commentators to push the negative agenda so forcefully. I worry that endless pessimistic forecasts will morph into self-fulfilling prophecies. Many of those not directly affected by the downturn are acting as if they are, which just provides added momentum to the spinning of the vicious downward spiral.

I recently read in a newspaper that "this recession could be every bit as bad as the one of the early 1990s". I don't want to sound flippant or underestimate the pain and uncertainty that some will feel in the forthcoming year. But I remember the recession of the early 1990s (and the previous one, and the one before) and, although they were hard for some, most people and most businesses not only survived them, but prospered.

So what lessons have we learned? How can we ensure we too survive and prosper through the present difficulties? Here are four no-nonsense principles...

### 1 Work smarter

Never stop asking the following question: "How can we be better at what we do?"

This is a fundamental question to

ask at any time, but especially so when generating income is harder or when there are more demands to spend it. The answer is likely to be found in three inter-related areas:

...**People** – The fundamental aim of the Retail Distribution Review is to raise levels of professionalism. Apply this to your own firm. If your staff were to achieve a step-change in their skills, how would it affect the look and feel of your business? Maybe you should be aiming to improve client relationship skills or looking to offer wider advice and investment expertise. Maybe it's about just getting your advisers in front of clients for more of their time. People will always be your biggest asset, so figure out how to maximise the value they provide.

...**Processes** – Efficient and simple processes are central to working smarter. Platform and wrap technology are likely to be important, as are your risk management and compliance procedures. For example, many existing training and competence schemes are clearly based on guidance that is over 10 years old, and they simply aren't capable of developing the higher standards of behaviour the RDR seeks.

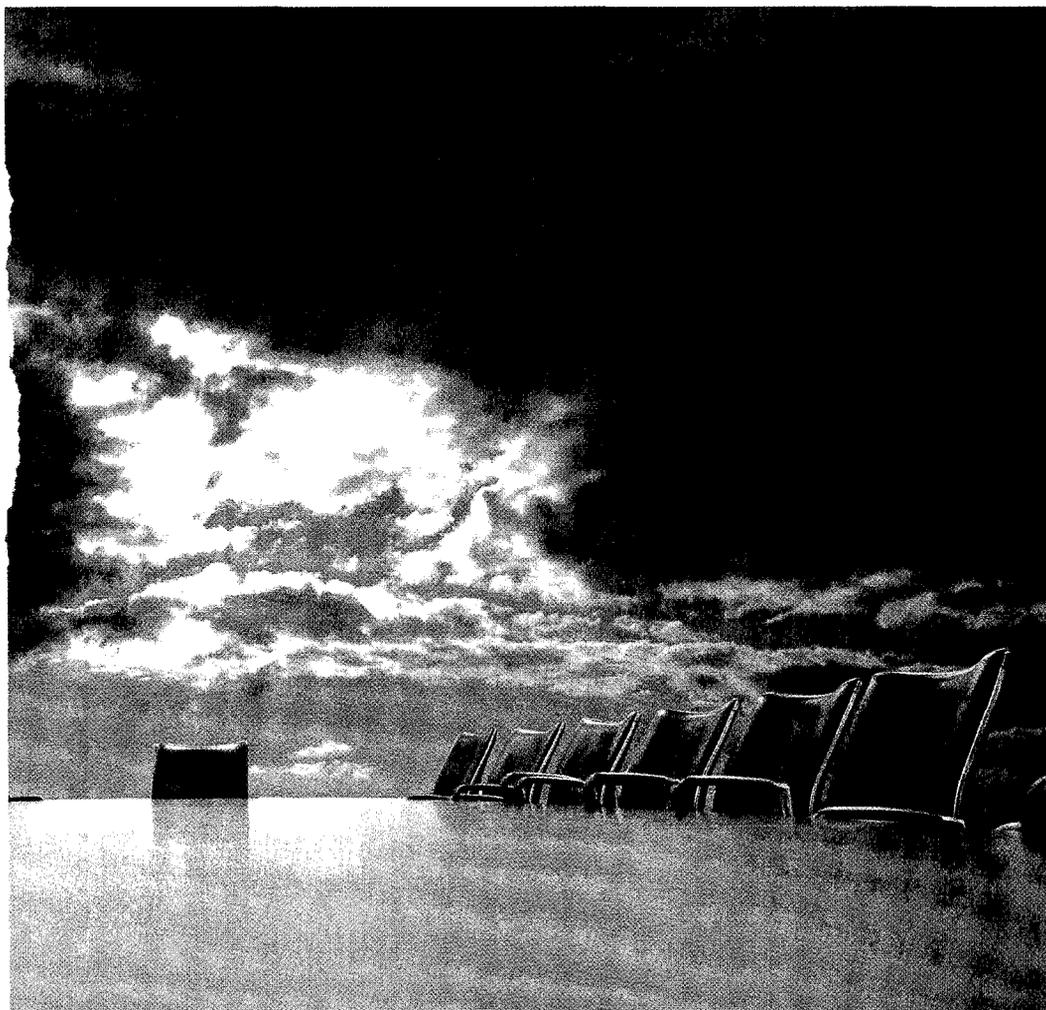


...**Systems** – do we use technology as well as we should? Back-office systems and platform-based technology should make us more efficient, improve our service and enable us to spend more time on value-added activities, such as sitting face-to-face with clients.

### 2 Minimise costs

Again, this should be a given in any environment, but in a recession the golden rule is to reduce your expenditure wherever possible, especially in discretionary areas. This might mean, for example, that support staff work reduced hours or that you share the cost of office space. Have a look at costs such as phone and internet connections – if you haven't changed provider for some time, you might be paying more than is necessary.

It's a false economy, however, to ditch the usual suspects such as recruitment and marketing. In an industry where it is notoriously difficult to recruit good-



quality people, the recession is a great opportunity to attract high calibre individuals. Don't forget your existing key people need to be looked after.

In marketing, spend in this area will probably now buy you a third more than it did 12 months ago. Alternatively, writing articles for the local press is a cheaper alternative to the same end. Marketing is, essentially, about building trust. There are plenty of people looking for advice from a reputable and trusted source at the moment.

### 3 Maximise income

From speaking to advisers, it's clear to me that the current uncertainty means that there are plenty of people seeking advice – both existing clients and new ones who don't believe the service they get elsewhere is good enough.

It's a good time to re-visit how you manage existing clients. For example, legacy advice, your service proposition and how you communicate with them.

Revisit older or dormant clients and talk to them about how your service can add value. If nothing else, ensure you have authority for all the client's existing investments and policies wherever possible. This is overlooked surprisingly often – it ensures you have a complete picture of your client's position and helps build your recurring income.

Are you being sufficiently visible and doing what you can to speak to clients? It's easy to shy away from speaking to them where the value of investments has fallen since the last valuation. In reality, this won't usually be a surprise to clients who know full well that the markets have struggled. This is when the value of honesty, advice and re-assurance is likely to be most welcome. Sooner rather than later, people will also see the recession as a great time to invest.

Revisit how you attract new clients. This is the lifeblood for most businesses – but how secure is it and is there an over-reliance on one source? How does

your website promote your advice and your brand? Use relationships with local firms and professional connections. Be clear about your proposition, how you add value and be clear what a win-win relationship looks like.

### 4 Work on the business, not in the business

For those who manage their own business, leading during a recession is one of the ultimate tests. So what should managers and business owners focus on?

✦ **Spot opportunities** When your head is down, it's difficult to see some of the opportunities that will arise. Develop bi-focal vision – ensure your survival short term and don't lose sight of the medium and longer term. For example, it is potentially a good time for wealth management firms to be acquiring funds on a relatively attractive basis.

✦ **Manage your staff** It is in times such as these that people management skills come to the fore. Monitor, support and reassure as required.

✦ **Communicate clearly and regularly** This isn't the time to be sitting behind the desk. Be confident and visible – not only with your own staff but with clients.

It is obvious from these principles that they apply equally both to the good times and to more challenging periods. If things aren't as buoyant as they usually are, then perhaps now is a good time to think more about how and why you do business. Look at the big picture. Make the big decisions.

But it's not about chasing big new ideas as a magical way of escaping the worst of the downturn. In a reassuring sort of way, the important thing in uncertain times is to be focused on the fundamentals of managing both people and the business. Get the basics right and, chances are, the rest will follow. **rs**

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