

## Lessons Learned: Surviving the Recession

Kingston Smith research provides valuable insight into strategies for surviving the current economic downturn

LONDON, 20 February 2009 – Privately-owned companies with a non-executive director on the board stand a better chance of survival in a downturn. This is just one of the key lessons learned from businesses which survived the last recession, according to research conducted by Professor Robert Hussey on behalf of top twenty accountancy firm, Kingston Smith LLP.

Michael Snyder, senior partner at Kingston Smith LLP, says:

“Business owners – some of whom may not have even owned their company during the last recession – are about to be tested to the full.

“There is no manual on how to survive these difficult times, but drawing on the experiences of companies that succeeded in the last recession will provide valuable insight into potential strategies for surviving the current economic downturn.

“These strategies are as relevant today as they were when the study was first commissioned and their application could determine whether or not your business stays the course.”

Professor Hussey, formerly of Bristol Business School and now at the University of Windsor, Canada, carried out extensive research on behalf of Kingston Smith LLP towards the end of the last recession. One of his key findings was that privately-owned companies had higher profit margins where there was a non-executive director on the board.

According to Professor Hussey:

“Non-executive directors can often look at a business dispassionately and make judgments which owner-managers may be too close or emotionally-linked to the business to consider. Take cost cutting, for example, the study highlighted that directors often had no reliable benchmarks as to what costs should be for a given level of activity. In my view, even successful companies did not cut costs enough. Advice about cost cutting is just the kind of experience the right non-executive director can bring to bear. It is important to be pre-emptive and cut costs before the situation becomes too serious, not when it is too late.”

The most successful entrepreneurs were found to be those who listened to, and acted upon, advice. But, as Professor Hussey highlights, it is important for business owners to be specific in their questioning and ready to accept honest, unbiased answers.

Key questions to ask:

1. Are there any other ways in which to cut costs?
2. Are there any markets that can still be tapped with our existing products/services?
3. Can we use our current facilities and contacts to enter completely new markets?
4. Will a merger with another company provide synergy?
5. Do we have a viable business?

Michael Snyder says: “In addition to the value that a non-executive director can add, our research revealed details of other key strategies which helped businesses to succeed. For example, companies which did not consider sales growth to be an important objective during the recession generally enjoyed higher profit margins. These companies performed well by focusing on providing high-quality products and services.”

According to Kingston Smith LLP’s research, the most successful businesses had a small management team, as decision making was most effective when restricted to a few individuals. In addition, smaller businesses which pursued active marketing strategies tended to do well and networking proved to be an important activity in promoting and protecting the business.

Professor Hussey concludes: “It is paramount that we learn lessons from the last recession and apply these to our business strategies today. It is important to learn from others who have been through a similar experience and listen to independent experts.”

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