

Lessons from the recession

A year on from its peak my clients are seeing "recession" in clearer perspective. It is now emerging as a constructive period of refocus rather than simply a recession. Perhaps it has even given us some valuable lessons or at least generated timely reminders of business principles that had been increasingly overlooked.

Prevailing over its pressures has required considerable resilience. Accurate budgets and credible strategic reviews, commitment to best practice on farm, action on debt reduction and clear communication with financiers and professionals have all played their part.

Credibility and commitment to financial and strategic plans have always been fundamental to business success. These are like a drafting gate that confirms whether sound business practice will in reality be available to capture gains and minimise losses. In recent months and this has been fundamental to winning the support of financiers and others who share risk in the business.

Priority must be for business owners to have a realistic view about the outlook for their operation and the ability to clearly articulate proposed responses is critical. This is dependent on accurate awareness of the position. Any hint of this not being fully understood makes bank support less than certain. Commitment to physical work alone will not be sufficient. Strategies must include an appropriate balance between working on the business rather than in the business.

This has also been a time where increased management capacity has added genuine value. The appointment of senior personnel to support the leadership of farming operations and assist with implementation of operational plans not only shares the load but enables the business owners to keep a clear head under pressure.

It has the further benefit of minimising risk around the availability of "key men". When the success of the farming operation is dependent on one individual's management expertise, there is increased risk around health, availability and commitment. Developing a team to expand management expertise spreads that risk and through a broader base on which to build for success.

When relationships within the management group are vibrant, challenging and mutually motivating they enable shared burden and promote creativity. This also means growth pathways for support staff and greater job satisfaction all around.

Smaller operations may believe they cannot afford or justify such strategies. Sharing the management load does not necessarily require full time appointments. It can as easily be achieved by collaborating with consultants, neighbours or mentors.

Communication with financiers and stakeholders is a vital component. Bank personnel are under greater pressure than ever to monitor on behalf of their masters. The level of reporting and analysis expected of them has intensified as rural lenders rightly monitor the outlook for many farming operations in which they now hold the major share.

Making this easy for the Bank is a fundamental to getting their support. Accurate budgeting, credible assumptions and regular personal contact are vital.

This also involves fronting up to negative events as much as highlighting positive trends. Ideally the strategy should enable a position where regular debt reduction can be sustained. Well managed, this process will build a team approach that eliminates any risk of misunderstanding or lack of trust.

Finally, there needs to be a priority for business owners to protect their perspective and mental health. It's all too easy to let economic, climatic and personal issues crowd in on the business and erode its prospects. Maintaining work / life balance through effective time management and keeping "first things first" is critical.

With these lessons learned and applied I am seeing businesses benefit from greater discipline, increased accuracy, shared accountability and enhanced control that will serve them well for the long term.

Yes, it has been a difficult time and for some it has seen the end of their farming fortunes. For others it has helped them achieve a new level of resilience and more robust practices that will equip them for what still promises to be a rewarding future in agribusiness.

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