

In the business of... moving people



RECRUITING IN A RECESSION

AN OUTBREAK OF COMMONSENSE

“It is too simple to state that just because we were founded in 1990, in the depth of the last recession, we know how to handle this one.”

The differences are obvious but there are some simple commonsense issues that are relevant to all ... in terms of successfully surviving a prolonged downturn. Cash is king, relationships are key, cost control is crucial, flexibility is critical and knowing your market is probably the difference between success and failure.

As in any adverse temperature change, only the hardy survive, but it is the smart ones that prosper (rather than merely endure).

Judgement is critical, not being over-exposed to one client or one sector, proactively managing cash and debtor days (and spotting the warning signs before things go bad), doing your homework to get an order (as competition is tougher), really understanding your cost base so that you can price competitively are just commonsense – conversely, spotting new growth markets, identifying businesses “bucking the trend” and only doing business with organisations that can pay you is simply smart (and simple smart things work).

In a recession, altering needs tend to change recruitment requirements, ie. Finance Directors, for example ... the “broad brush” financial engineer is replaced by the “hard-nosed”, detail driven, cost and cash controller. In New Business Development the rigorous and resourceful “hunter” replaces the more placid “farmer” in sales, and the “backside kicking” Ops Director/Head replaces the facilitative resource manager. It gets more directive, more incisive and more interventionist with leadership becoming higher on the agenda than administrative management right across strategic, tactical and operational mix.



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Timescales become shorter, the tactical/operational imperatives can become more important than historic strategic goals (when you are up to your “backside” in alligators don’t continue to discuss draining the swamp). Payback periods shrink and the time-value of money quickens. Bottom-line impact and speed of return become the order of the day. R&D budgets are shrunk and training activities are wound down. It all can become too short-termish. One counter cyclical view we have is that marketing (a favourite cost cutting target) is still critical and is even more necessary. However, you need to evaluate “bangs per buck” and the cost of customer acquisition accurately to assess yield and effectiveness. It’s a question of balance - over-eager cost cutting is dangerous, prudent investment in market relationships and people is critical to continue to be relevant to customers and suppliers alike.

Effectiveness has to supplement efficiency as urgency and focus increases but this cannot be blind to the bottom line, activity must obtain improved yield. NB. The distinction between efficiency and effectiveness is critical – “busy fools go broke”. There must be a financial outcome as a measurable result because producing more “widgets” at a lower cost just to be held in stock is not a result, there must be a sale or other economic gain.

The South West is primarily an SME marketplace with less room for fat than other regions at the best of times – in a downturn it gets leaner still. Businesses de-layer, the sharp end gets both sharper and meaner and Boards have to trade and show leadership, confidence and prudence – it’s about proactive but considered risk management (in the current jargon) but I call it commonsense. Asking simple questions continually. Lord Hanson used to ask his managers “What have you done today to make me money?” Not knowing the answer to that question in a recession can be fatal. Bluntly, knowing what your customers want, what they will pay for it, how many they need, in what place, and being able to answer it with the right product or service, at the right price ... is fundamental. If management doesn’t know these answers it is usually changed in a recession - which is where we come in.

The impact of a recession on corporate structures is interesting, ie. three-tier organisations often slim down to two-tiers, not just to reduce cost but to allow the Board to be closer to the sharp end and trade more effectively which, in turn, inevitably tends to bring new Board appointments in its wake. Again, this is where we come in.

We are now doing more structural consultancy as either added value to a placement or in its own right than we did when the economy was more benign. We are busy – we are not “bucking a trend” but harnessing one. Economic change drives recruitment change – be it surgery, repair or counter cyclical businesses exploiting market circumstance. One business’s downside is another’s opportunity. It comes down to the same thing – only people can make change happen – and changing people accelerates change itself. Once again, that is where we come in.

With the current constipation in the banking system, refinancing will happen (even by default)...Turnaround specialists will be required. We will inevitably have to meet a recurring requirement for high quality interims – not career temps but experienced Ops/ Line managers with ‘hands-on’ experience who can tackle cost,

stock, working capital and margin issues; FD/FCs who can handle FX, inter-company pricing, margin and the Bank; HR professionals who can de-layer, reduce salary bills and procurement experts who can improve the supply-chain in terms of cost-efficiency, outsourcing and currency exposure. These appointments will be targeted at repositioning the business, de-risking it, making it ‘fit for purpose’ and focusing it on its core purpose.

As the cycle continues, they will be replaced by consolidators who will then run the re-focused slimmer entity. Their competencies are similar but their psychologies and personalities will be different – the first are surgeons, the second are carers nursing the business back to health. The first are tough, cut deep and do not need to be popular; the second must take business with them to make 2+2=5 and re-grow the company after pruning. Sometimes both traits are in the same person but more often they are found in two different people. For details of our turnaround positions see our website.

As we started in a recession we know what was needed last time and therefore have relevant experience. Because of this experience, taking time out to understand client problems (past, current and future) we tend to be more thoughtful and therefore more accurate when we source management to solve them. It isn’t rocket science - recruiting in a recession is just an outbreak of commonsense.

Tom O'Neill
Director

Wheale Thomas Hodgins plc (WTH) is a specialist Executive Search and Selection consultancy with offices in Bristol, Cardiff, London and Leeds. Formed in 1990, they have built a reputation for quality of service, team building, financial acumen and organisational knowledge, as well as cultural sensitivity and insight. Essentially, a multi-disciplined practice, recruiting Board (Executive and Non-Executive) and Senior Management positions.

CONTACT TOM O'NEILL
WHEALE THOMAS HODGINS PLC

**Wheale Thomas Hodgins plc
Search & Selection Solutions,
Berkeley Square House, 13 Berkeley
Square, Clifton, Bristol BS8 1HB**

**Telephone: 0117 9272311
Fax: 01179272315
Email: tom@wth.co.uk
www.wth.co.uk**

VISIT US ONLINE: WWW.WTH.CO.UK