

BEYOND BETTER BUSINESS

ISSUE 12

# THE RECESSION PREPARATION ISSUE



**Advisory**.Works®

Strategy | Execution | Partners

Taking You Beyond Business As Usual

# Only through preparedness can we handle future volatility

As we enter the second half of 2022, rising interest rates, increased borrowing costs and the ongoing beating of the global economy have caused some to start planning for a recession.

While our day-to-day has largely settled into a steady equilibrium with the pandemic, consequences are still unfolding and supply chains are as volatile as ever. Some have posted record profits; others have closed up, such as 18 building businesses in Australia (including one of their major construction companies, Probuild). Closer to home, liquidations of building companies have spooked the sector and caused closures due to the snowballing effects of long-term Covid disruptions.

But if the pandemic loaded the gun, then Russia's invasion of Ukraine might have pulled the trigger and set in motion a recession that we can't avoid. Russia's blockade of Ukrainian ships has prevented grain from flowing from 'the world's breadbasket' and caused price volatility across the EU. India (the second largest producer) prohibited wheat exports in May in an attempt to calm local prices.

Further, Russia's trade is shuddering to a halt – and with it, key fertiliser compounds for much of the EU and North America. Rising fertiliser prices lead to reduced yields, especially as the northern hemisphere enters its summer, and puts low-quality stock and food insecurity on the horizon. We'll feel its effects in Aotearoa New Zealand too: of the NZD\$1.151 billion we spend on fertiliser imports, around 15% came from Russia – and we need that fertiliser to keep our own food exports strong. It's a situation that no one wants to be in – but we're in it. And it's up to us to drive the outcomes we want.

We've called this report **The Recession Preparation Edition**, not because we believe that a recession is inevitable, but because we know what we need to do now to once again lead with strength.

From the standpoint of the present, the results from the last two years are pretty clear. Those who were prepared were the ones who had strategies to fire up when certain key events were triggered; they communicated with their stakeholders; they leapt forward while others lost time to hesitation. Having shored up their activities, developed new strategies, looked to boost the domestic economy, and empowered their people, many of the best-prepared SMBs saw record years and are still reaping the rewards.

We ask you to do what you can: prepare to manage, mitigate and master your future. That'll mean asking for more support. It will see us all reaching out to our colleagues and networks to communicate challenges better. It will remind us to spot the signs of burnout. And perhaps most importantly, it'll show us why we need to recalibrate our lives so that we work with a passion and meaning that sustains us and our people.



# ONE IMPORTANT PIECE OF NEWS —



This issue of Beyond Better Business marks the new ownership of AdvisoryWorks by Logan Wedgwood and Uli Wiehle. This change comes at an exciting time: Logan and Uli have bought a business that has an incredible, decades-long legacy of empowering Aotearoa New Zealand businesses, and they'll be building this strong organisation towards an even better future.

AdvisoryWorks is embracing new technologies and a hybrid business model that's both online and in person. This gives our existing clients and new customers broader scope to engage with us and gives us better opportunities to help more Kiwi organisations who share our vision of better businesses for a better country.

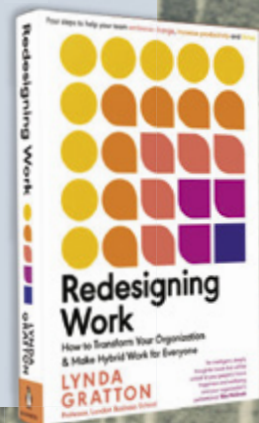
## ONE CRITICAL READ

**Redesigning Work: How to Transform Your Organization and Make Hybrid Work for Everyone — By Lynda Gratton**

We're in the middle of the greatest global shift in a century. So how do we transform our organisations and make hybrid work possible – and even part of our leadership advantage?

This is the fundamental question of Redesigning Work, and one that Professor Lynda Gratton (London Business School) investigates in order to use technological, demographic, cultural and societal trends to enable creative new ways to work.

It's not just for white collar workers either. Gratton's easy four-step framework can help blue collar workers and frontline employees to get more from their time too, and help fuel a global work transformation that helps all our people. Perfect for academics and everyday readers, Redesigning Work offers a new perspective to enable meaningful work in the 21st century.



## ONE VITAL STAT: 0.1%

That's the expected growth in GDP in the second, third and fourth quarters of FY2023 as forecasted in the most recent government budget. Central forecasts keep the percentage growth just in the positive; the downside skirts up to -0.5%. With Treasury projecting inflation to slow, we likely won't expect it to return to the RBNZ's 1-3% target rate until early 2025.

# ONE VITAL TOOL

## — THE RECESSION ACTION SHEET

Our clients and others who used our Contingency/Continuity Action Sheet in 2020 told us that it was one of the most powerful weapons in their business arsenal.

We have updated this resource in a way that charts a course for you to take action if and when circumstances change. It's a vital part of your ongoing business response regardless, but in times of uncertainty it's also a way to refocus.

Bring your SLT together and start developing a path for any What if... that might come your way and alter how you do business.

While we might not have a crystal ball to gaze into, we do know our current situation and can anticipate likely future scenarios to react to. This is what the Recession Action Sheet helps you achieve.

This tool is as powerful as it is simple, because it requires you to be upfront and address your situation in basic terms. Keep it part of your ongoing planning toolkit and use it to have meaningful, productive conversations about where your organisation is going – and where you want to take it.

## CONTINGENCY PLANNING

Scenario modelling a potential future event or circumstance and planning how you will respond or deal with it. It's a look at what might happen. The What if...? of your business. Many businesses and industries are past this point already; others may still be staving off direct impacts.

### Contingency planning consists of three stages:

1. **Preventative anticipation:** How can you prepare for the impacts of the virus, quarantines, new ways of working and challenges to continuity? What can you do to prevent future cash impacts through financial management, cash management and tightening up of balance sheets? Can you remove any unnecessary expenses?
2. **Loss reaction and response:** If things get bad, what is the next level of decisive action? Could you reduce staff working hours? Negotiate new financial arrangements with the banks? Institute rent or mortgage holidays? Or shut down the entire business and quarantine for 14 days?
3. **Recovery and business continuity:** What are the future plans for the business if the preventative measures work? How will you plan to recover and thrive once you've overcome the challenges ahead in the coming months?

## CONTINUITY PLANNING

Planning for how a business can continue to deliver its services through a major disruption. It's how you execute against what is unfolding. This is where most Kiwi businesses are already. This crisis is happening – so what can we learn from others and how can we navigate it?

### Business continuity planning (BCP) consists of six stages:

1. **Analysis of the business impacts:** Identify critical business operations and processes and the resources that support them.
2. **Identification of principal threats:** Identify and list the threats to people, leadership, customers, cash, machinery and supply chain. Consider what you know and best guess of unknowns. Collate these classes of threat and potential impacts into a small number of archetypal scenarios to help with later training and testing.
3. **Threat mitigation actions:** Clearly define the actions you need to take to mitigate those threats immediately, in the next two weeks, and over the next 90 days. Start executing.
4. **Creating readiness plans to maintain continuity:** Plan for business continuity in the face of the changing environment. These could be threats to people, physical infrastructure and to technology and data.
5. **Identifying a core business continuity team:** Once you have information and a plan, establish teams of leaders that will act independently (and potentially in isolation of each other) to ensure the business can continue to operate. Run training and scenario-simulation exercises with these teams.
6. **Iterative maintenance of the plan:** Keep your plan continuously under review and improve it as more information comes to light.

# RECESSION PLANNING ACTION SHEET

## What is your recession goal?

Are looking to just survive or are there opportunities you can capitalise on?  
Are you hoping for continuity or planning for your recovery?

SURVIVAL?	OPPORTUNITY?	CONTINUITY?	RECOVERY?

Tick the applicable box

## Your recession progress:

— Are you in trouble, going ok or on track?

CRISIS	CONTINUATION	ON TRACK

Tick the applicable box

## What are your immediate issues?

— What are the fires you need to put out with urgency to prepare your business better?

RECESSION ISSUE	NEXT ACTION	WHO	WHEN

## What are your continuity observations?

— What business factors need close management to ensure the business keeps progressing?

SITUATIONS TO MONITOR	NEXT ACTION	WHO	WHEN

## What resources are required for your business to successfully manage a recession?

What resources don't you have that you need to obtain? Cash or funding? Human resources? Data to make decisions?

WHAT	WHO	WHEN

## Weaknesses you need to fix?

— What weaknesses are holding you back from the progress you need to make over the next 2 years?

WEAKNESSES TO FIX?	NEXT ACTION	WHO	WHEN



**Threats to assess or mitigate?**

— What threats do you need to monitor or respond to? What risks can you mitigate?

THREATS OR RISKS TO MITIGATE?	NEXT ACTION	WHO	WHEN

**Opportunities to assess or secure?**

— What opportunities can you secure during this environment that can move you forward?

OPPORTUNITIES TO SECURE?	NEXT ACTION	WHO	WHEN

**Leverage**

— What internal or external resources (people, time, capital, partners) are going under-utilised that you could leverage to make better progress?

LEVERAGE TO UTILISE	NEXT ACTION	WHO	WHEN

**Team-wide communications due**

— What team communications need to happen and by which method? ( email, one on one, company meeting etc)

WHAT	NEXT ACTION	WHO	WHEN

**Now, carefully select which top 3 actions are the highest priority? Start there.**



# ABOUT ADVISORY.WORKS

Imagine if every Kiwi business cared deeply about its people, its impact and our country. What if our businesses could lead the world while improving it?

We exist to build better businesses for a better New Zealand. Our businesses can be and do better – moving beyond what was previously thought possible and setting new standards when it comes to championing people and the planet alongside profit.

We're more than advisors, we're alchemists – combining our thinking, chemistry, and experience to drive the unrivalled performance and focused execution that brings extraordinary outcomes. Our clients work damn hard, but you do so with us beside you. We lift you up, but we don't carry you. Working with us enables the unlocking of that 'something special' in your business, which brings an energy and momentum that has to be truly discovered, as opposed to manufactured.

Our people are our power and we pick the best of breed – experienced entrepreneurs who have not only built, scaled, and exited multiple businesses successfully, but who still live, breathe, and love business today. This enables us to move far beyond a framework – thinking on our feet, challenging complacency, asking "why the hell not?" and seeing opportunity where others can't.

## **Advisory.Works<sup>®</sup>**

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**Taking You Beyond Business As Usual**

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