



## Forecasting the Future: Proactively Preparing for the Inevitable

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Given the general uncertainty and turbulence in the economy these days, it is prudent for companies and management to proactively prepare for the inevitable changes in the business environment.

While it may seem like a luxury to set aside time for management to gather together to discuss these issues, it is simply reckless to ignore trends in the marketplace, and to not make some effort to anticipate those changes. Indeed, one of the best-managed companies that I know makes this a weekly practice.

While you may be unable or unwilling to put that level of effort into this exercise, a periodic gathering of management to strategically and tactically assess the market is critical.

This exercise can help management to:

- Identify strategic options that might be appropriate under certain conditions in the marketplace.
- Plan for the resources that might be required to support those options.
- Build and extend relationships between members of management, and identify possible future leaders from participants in this exercise. This is not a theoretical effort. Management needs to have a laser focus on risks and opportunities in the marketplace. If management has not given thought, for example, to how to respond to a freeze in the credit markets, it may be utterly unprepared to deal with liquidity crises. If it has not identified other potential issues – supplier risks, the need to hire more specifically skilled workers in volume under a growth scenario or any other potential contingencies – the result may be unnecessary, critical time to address these issues.
- What questions should management be asking? Here are a few that should be addressed:
- How well is the company positioned to handle liquidity issues? How much cash and cash equivalents does the company have access to? Are there lines of credit in place? Are these committed or uncommitted lines? Has management considered what would happen if lenders pulled these lines? Are there alternative relationships that can be drawn upon?
- How secure are the key inputs for the company's product or service? If it's a key material or service, are there multiple suppliers? If not, what plans or processes are in place to identify alternatives should it be necessary? How are critical hiring needs going to be addressed?
- What key management positions are vulnerable due to unexpected illness, death or vacancy for other reasons? How are these positions going to be covered by existing management, and what process or plan is in place to identify permanent replacements? How does the company function in the interim?
- Which key customer relationships are the most vulnerable? What changes in the marketplace can possibly leave the company exposed to changes in its customer base? How can management identify those relationships at risk, and put concrete plans in place to deepen and enhance those relationships?

It is critical that management put a process in place to strategically assess the Company on a regular basis. Doing this will materially reduce risk, and potentially add significant shareholder value.

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