Welcome...

The election season is over and soon we’ll begin to see how many of the promises we’ve heard in the last two years were more than just talk. Change is coming – not only in the White House, but also in Congress, where Democrats strengthened their control of both the House and Senate. The public’s dissatisfaction with both the president and Congress reached record lows in 2008. To regain the public’s confidence, our new leaders must respond carefully and constructively to the current crisis in the financial markets.

There is already more talk of another stimulus package for individual taxpayers, and of additional loans to assist still more troubled businesses. Such programs may have short-term appeal, but the change the public wants most is to bring an end to the dubious practices that precipitated the Meltdown of 2008. Change is inevitable. Let us hope that it will be change for the better.

For additional information on us, visit www.beaneassociates.com

Sincerely,
Tom Beane, President CMC CIRA

Staying Cool In The Meltdown By Thomas J. Beane

It’s certainly a challenging time to be in business. The overall business environment is the toughest it has been in years, and it’s too soon to tell whether the $700 billion (how about a couple of trillion!) financial markets rescue plan will have a lasting positive impact.

For months now, even companies in good shape have been hurting because of the credit crisis. Companies that need money for capital expenditures — for expansions or renovations — have either faced delays in borrowing or have found they couldn’t get any money at all.

In July and August — well before the credit meltdown in September, PNC Financial Services Group, parent of PNC Bank, surveyed nearly 1,000 owners of small and mid-sized businesses, and the results were hardly reassuring. PNC reports that 29 percent of those polled were pessimistic about their own company’s prospects — triple the 10 percent response to when the same question was posed a year ago. Key concerns, cited by 65 percent or more of those responding: higher energy costs, recession and inflation.

Even with the new legislation passed by Congress, banks will continue to be extremely careful in determining how much credit they’ll grant, and to whom. Companies with strong balance sheets and good relationships with their bankers stand the best chance of getting credit, but the current outlook is far more cautious now than it was a few months ago.

But what about the companies that may be in a down cycle or not performing at the highest level? The Turnaround Management Association — comprised of professionals like me who specialize in working with distressed companies — posed a one-question “flash poll” to its members recently, asking them to predict the most significant impacts of the financial crisis on underperforming companies. The results were ominous, but not surprising:

- 5 percent expect more difficulty in obtaining financing;
- 42 percent expect pending financial contracts to be withdrawn;
- 41 percent expect more loan defaults;
- 32 percent expect more companies to be liquidated, rather than being sold or being successfully turned around.

What, then, should you be doing to steer your business forward, and to navigate around the financial shoals that lurk ahead?

The most important advice I can give is quite simple: Make sure your financial house is in order. Cut back on non-essentials, tighten your belt and preserve your cash.

Take a close look at your loan covenants — the clauses in your bank agreements that spell out cash-flow and funding ratio requirements — and take extra care to remain in compliance. Make a mistake now, and you risk losing the capital that’s essential to keeping your business running smoothly.

You’ve also got to be prepared for the worst. Reassess your plans for the future, and take another look at your growth projections.

One of the great lessons to emerge from the current crisis is how interconnected we all are. Yes, what happens on Wall Street does have a dramatic effect on Main Street. And what happens to a business on one end of Main Street can have a significant impact on its suppliers and customers down the block. Unfortunately, no matter how well we know our own businesses, we can’t possibly know everything about our partners and our competition. In this environment, then, the best you can do is get your own business in order and prepare to ride out the storm.

To read more, go to: http://www.beaneassociates.com/newsletters.asp
In fact, 64 percent of the executives said they readjusted their 2009 forecasts in light of the current banking crisis. Other crisis reactions ranged from cutting expenses to reworking banking relationships. For example, 48 percent of respondents scaled back capital spending, while 40 percent strengthened their scenario-planning procedures. Further, 40 percent instituted a hiring and/or spending freeze, while 34 percent shored up credit and 21 percent changed banking relationships. Only 7 percent extended payment terms to customers.

Over the long-term, 50 percent of the executives thought the credit crunch would affect their ability to implement strategic initiatives, while 42 percent said the crisis would affect access to short-term financing.

For the full article, go to: http://www.cfo.com/printable/article.cfm/12445287/c_2984328?f=option

Consumer Confidence Plunges to Record Low
Consumer confidence plummeted to a record low in October, signaling fears that business and labor-market conditions are sharply deteriorating, according to a closely watched monthly survey. The Conference Board said its consumer confidence index skidded to 38 from 61.4 in September. The research firm polls 5,000 American households each month, and the October decline was the third largest since the survey began in 1967. Last month the index ticked up by 0.3 percent after five months of steady declines.

The latest survey found that consumers are "extremely pessimistic" and fear that their earnings will shrink while inflation grows. The results bode poorly for retailers who could face a difficult holiday shopping season, said Lynn Franco, director of the firm’s Consumer Research Center.

"This, in turn, could lead to a further pullback in spending."

In October, more consumers felt business conditions were "bad" compared to September, and more said jobs are hard to get. "Consumers are concerned about earnings and jobs, which will make them cautious spenders," Franco said. "This, in turn, could lead to a further pullback in spending."

The outlook for the coming months is gloomy. Franco said The Conference Board is predicting "negative consumption" in the fourth quarter.