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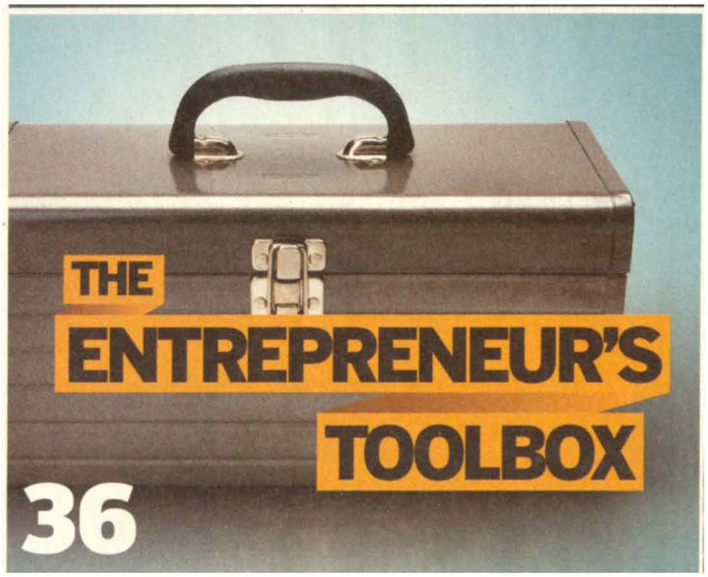



*As the economy begins its slow recovery, business professionals must adapt to the "new normal." Here are the tools to do just that.* **by Jerry Hicks**

**When Pat Brenden founded** his Huntington Beach-based Home Run Media in 1992, business took off, with a high-volume market for his duplication diskettes for software companies. But just before the recent economic downturn became serious, Brenden could see a disturbing pattern: Customers were finding CD options for their software, reducing the need for what he offered. So he expanded into the architectural sign market and did well, with a 20 percent increase in business while other sign companies were losing money.

With the economy predicted to go on an upswing this year, Brenden has even greater hopes for his sign business. But that doesn't mean he isn't planning changes. Brenden very much buys into what economic forecasters call the "new normal" for business. He plans to be aggressive – but with caution on some fronts.

"There is a new conservative standard that will be the norm for entrepreneurs like myself," Brenden says. "We can't do business as we have in the past. You're going to see a lot less risk-taking than before."

The "new normal" is the result of a lower expectation that the money will always be there for creative development, says Anil Puri, the business school dean at Cal State Fullerton and a leading Southern California economic forecaster.

"Entrepreneurs will have to find new, creative ways to finance projects," Puri says. "There is a new change in the landscape. Old-fashioned ways just won't work."

Creativity may require generating more capital within your own company – and that could mean cutting back either on employees or assets, says Puri. The "new normal" also means taking a fresh look at what investments companies make.

Victoria Collins, a senior managing director of Irvine-based First Financial Advisors (formerly the Keller Group), is blunt with her advice for 2010: "soap, gas and hamburger."

That means, in the "new normal," go to consumer needs. Collins, whose company manages $1.2 billion in assets, advises her clients to invest in "repeatable, sustainable businesses."

"You're going to see a lot less high-tech investing during this economic recovery," she says. "Stick to basics."

Collins and other economic experts insist that companies will need a new mindset, not a return to business as it was before. For example, Puri predicts that manufacturing will be down by 10 percent from what it was before the downturn, and that it will likely stay there.

"It's not going to be the same world we had before this recession," Puri says. "Business people had better get used to it."

What other kinds of adjustments will have to be made? Here are 10 toolbox tips for success based on interviews with Orange County business leaders and financial advisors:

"It's not going to be the same world we had before this recession," says Anil Puri. "Business people had better get used to it."

## 1

### Learn to live with tighter credit – permanently.

"There will be much more scrutiny by lending institutions," predicts Puri. "Yes, you can still get credit. But it will be much more difficult. It's not something you can just count on."

In the 1990s, Puri says, banks and other lenders were so anxious to get involved with expansion projects, they over-extended to companies that lacked a sound base.

"In the 'new normal,' you must rely less on credit and more on internally generated funding," Puri says. "But there are no magical funding answers. It will take creative planning."

Collins concurs: "Companies will need better track records and more capital; management will just have to work harder." ■

## 2

### Be aggressive.

Money advisors say that company heads and executives need to be realistic about finances, but they should be aggressive in putting together a plan for business during the improved economy.

"Now is the time to be planning, before the recovery is here," Puri says. "It's not a question of company growth, but *how* to grow."

Brenden agrees. To him, being aggressive means staying current with all the changes taking place in your field.

"Social media is a big component of anybody's marketing plan," he says. "You can't stop marketing. It's the lifeblood that generates the traffic to your business." ■

## 3

### Forget annual reviews.

In the past, many companies only took serious stock of where they stood at annual review time.

"That's too long to wait," says Puri.

Mitch Rosenberg, a Laguna Beach-based financial advisor with clients throughout the state, says nothing less than quarterly reviews is satisfactory now for any company, no matter its size.

"Too much is changing," says Rosenberg, who founded Workplace Confidential. "You can't wait until the end of the year to be communicating about your needs." ■

## 4

### Horde your cash.

Brenden of Home Run Media says not watching his available capital was one of the mistakes he made during the recession years.

"I wish I had paid more attention to the cash flow," he says. "You simply must have more capital on hand to be prepared for any changes in the economy. You need to horde your cash."

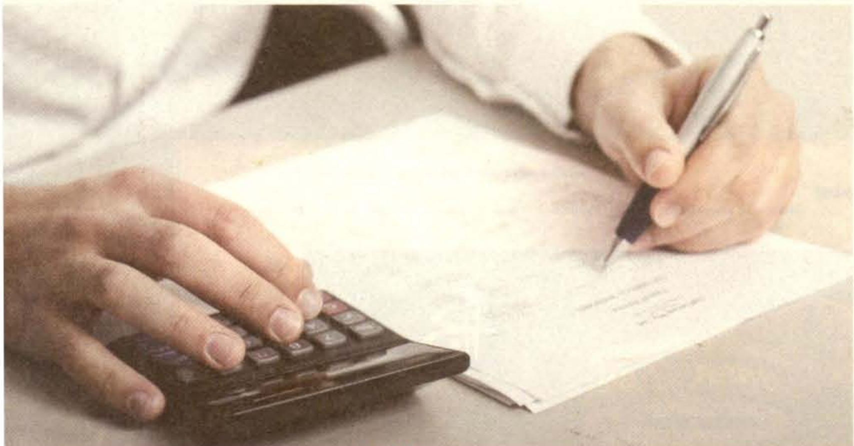
He predicts that this is part of the new conservatism that will take over businesses in the improved economy.

"I think companies have learned their lessons from the recession," he says. "They will be more conservative about spending."

Cash on hand is especially important if the banks are more likely to restrict their loans to you, Puri adds.

For example, he says, during the "old normal," credit money versus real company dollars was about 3 to 1. But during the fast expansion of the 1990s, that number catapulted to nine or more credit dollars for every actual company dollar. That will shrink back to the old normal, if not lower, he says.

"Companies got used to living on credit," he says. "But no more. If they don't adjust with their own capital, they'll be in trouble." ■



## 5

### Develop "what if" business strategies.

Collins of First Foundation Advisors insists that companies need to make risk analysis a higher priority.

"You must build into your planning all the 'what ifs' that might occur," she says. "You need to plan for what might go wrong. For example, what if you have a shipment that doesn't come through? What if a new competitor comes along?"

Another example, says Collins: Some companies in the '90s bought properties that they now can't use and can't get rid of. They had risk analysis built into their plan, but they didn't pay enough attention to it. Risk analysis must be focused, complete and comprehensive. And management needs to make that analysis a high priority in its decision-making." ■

## 6

### Re-think personnel, both at the hiring and the management levels.

Rosenberg of Laguna Beach says it's time to end the hiring interview and replace it with the hiring audition. He likens it to a singing audition: "You wouldn't hire someone based on a resume who says he was a good singer; you'd want to hear him sing."

"In today's market, it's very difficult to differentiate between hiring mediocrity and hiring excellence," Rosenberg says. "You can't afford to hire someone whose resume just looks good. You need to have that candidate show you what he can actually do."

Getting a good job is going to be just as tough in 2010 as it was during the recession, the experts say. One reason: Employment will be kept low to help companies create their own capital.

"Employment usually lags behind economic growth by at least a year," says Collins.

But Rosenberg also suggests another dramatic personnel shift: No more managing managers. He contends that one of the biggest failings for larger companies is mediocre performance at the mid-manager level.

"With the employment picture tighter, companies can no longer afford managers who do nothing but tell other people what to do," Rosenberg says. "Companies need to turn these mid-level managers into operating managers." ■

## 7

### Don't fear investing – but change your investment strategy.

Some want to wait to invest until there is more clarity in the market, but in truth, there is never clarity, says Collins.

"The best opportunity is when it's painful to invest," she says. "It's very difficult to put more money into something that is declining."

But that's often the most opportune time. Collins' other advice: Diversify your investments more under the "new normal."

"Don't just put your money into stocks and bonds," she says. "Consider other options, such as commodities, real estate, even some hedge funds."

But, Collins says, there's a reality that may be hard to accept: "Under the 'new normal,' set your expectations lower in both the stock market and the bond market. You may have to be satisfied with what you might have considered to be mediocre returns before." ■

## 8

### Insist on dramatically improved customer service.

Zach Taylor, founder of Placentia-based Redline Detection, a leading manufacturer of automotive damage-detection systems, calls it "psycho customer service."

"Ten minutes is too long to wait to return a customer's e-mail," Taylor says. "If you want to survive, you have got to pay more attention to your customers. Adopt an attitude of gratitude."

Along with that, Taylor suggests, too many companies take their suppliers for granted.

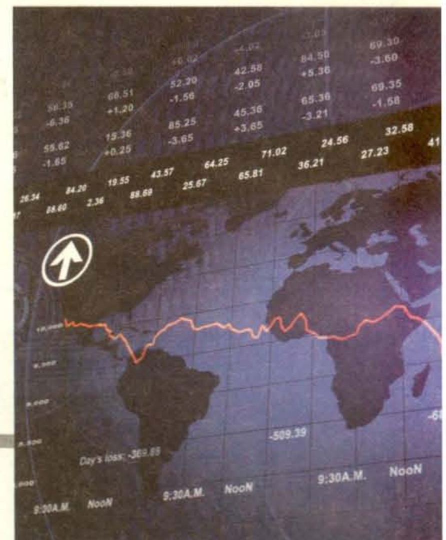
"You have to treat your suppliers as your partners," he says. "You can't live without them. You want good service, so let them know what they mean to you."

The same can be said for service to clients, says Collins: "Our success depends on long-term relationships with our clients." ■

## 9

### Narrow the economic picture to your field.

"People talk about how the economy is going to improve," says Brenden of Home Run. "But the real question is: What are the economic changes in your field? In mine, the picture is not as bright. I think this is one of the biggest mistakes that companies make: They look at the broad economic picture. They need to narrow their focus to their own field." ■



**online**

What does **Chapman University** have to say about business in 2010? Go to **ocmetro.com** and click on **In This Issue/Cover Story.**

## 10

### Think globally, not locally.

All the experts agree: The competition is spreading across the ponds. Puri describes it: "The world is getting flatter."

That can be both good news and bad.

"The competition from Europe or China is now just as important to you as competition from within Southern California," says Puri.

Collins points out that many of these competing countries don't face the same kinds of licensing restrictions or high taxes that American companies do.

"It makes them that much more difficult to compete with," she says.

But the flipside is this: If you think "global market," it can improve your options. "You simply cannot afford to not think internationally in business anymore," says Collins. "We even consider it important when advising about investing. A global presence for a company can make it appealing for investing."

Also, the experts agree that the global economy is improving, which can only help local businesses. ■

Follow these tips, the experts say, and Orange County businesses should be doing better in 2010's healthier economic climate. And Puri is optimistic that recovery is just around the corner. According to the recent economic forecast by Puri's team at Cal State Fullerton's Institute for Economic and Environmental Studies, the future looks better because "negative forces have moved from 'bad' to 'less bad' (housing, investments), and positive forces have taken hold (sales, government spending)."

But Puri points out that all of the economy-related talk has one giant "if" to it: Washington.

"Everything in business here in Orange County depends on new federal regulations," he says. "But from what we've seen, we can expect a recovery in 2010."

Recovery – meaning one with a "new normal." **ocm**

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