



Paul Fagan, deputy managing director of Farrelly & Mitchell

Firms must stick together and act fast

Until the middle of last year the business outlook tended to focus on investment and expansion. But now companies are looking towards restructuring and cost cutting. It's a case of reorganising internally to stave off the recession.

"Banks are currently quite amenable to the idea of restructuring debt for survival plans," said Paul Fagan, deputy managing director of Farrelly & Mitchell. "Everyone needs to hang together, otherwise they will be hanged separately."

Farrelly Mitchell is a business consultancy with a difference; it is not based in the city, and its traditional business has been with commercial farms, agri-business, construction firms and SMEs. But, while some of these types of business have not had to worry too much about restructuring over the past year or so, these days

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they have had to learn very quickly how to deal with the finer points of the financial institutions.

"Banks want builders to be able to speak banking language," said Fagan. "They want them to be able to present them with detailed plans on

how to cut costs and keep cash flow moving."

Because of the firm's track record, Fagan can draw parallels between the experience of commercial farmers, and the current experience of builders. Both have seen their businesses decline, although the rate of decline has been markedly different.

"The profitability of the farming industry has been in decline for decades, but many of them have been slow to recognise the extent of the decline," he said. "It has been a more dramatic situation for builders, who may suddenly have come to the point that they have only a couple of months of cash left, but they have all these houses left to sell. How are they going to sell these? And, if they do knock €100,000 off house prices, will that allow them to cover the costs? Some builders' accounts

are quite back of the envelope" and only take account of headline costs, not total costs.

This is an extreme example of the type of business that might need help, but it is indicative of the sort of issues being faced by businesses, particularly builders. The accounting, legal, financial and restructuring expertise at Farrelly & Mitchell will allow the business to go to the bank with figures that are correct, and a restructuring scenario that is viable.

"Early intervention is the key," said Fagan. "But clients will have to do whatever they have to do in order to stick to

the plan. They might need marketing or PR expertise, they might need to talk business with that second cousin who is looking for a good deal on a starter home. Or they could go the other way and tender for public housing contracts, where the houses are pre-sold."

Fagan warns that many costs will have to be slashed to get businesses in order. For example, where before builders were buying plant, now they are renting it, or ever hiring it by the day. Restructuring will probably involve redundancies, but these are part of the new reality.