



## Credit Risk Ready Podcast

Host Linda Keith, CPA, With Bill Conerly

### *The Silver Lining: Opportunities in Reopening and Recovery*

Hi, this is Linda Keith, CPA, with Credit Risk Ready, a podcast where we interview senior credit and lending professionals from community financial institutions across the United States, their regulators, and banking advisors to better understand and mitigate credit risk.

In other episodes, Bill has given us the benefit of his economic forecast and we've done a walk through of a business needed to create a plan that works during and despite the recession. In this episode, we will focus on the opportunities, even during the recession, and the optimistic look forward to coming out of it.

Bill Conerly is a Forbes.com writer; he has a PhD in economics and he is a business-focused economist. You can read more about Bill in show notes.

Welcome back, Bill.

**Bill Conerly:**

Good to chat with you, Linda.

**Linda Keith:**

So, I must admit I don't always think of optimism and economist in the same sentence.

**Bill Conerly:**

I'm a very optimistic economist.

**Linda Keith:**

Are you now? Okay. Well, help us understand, then. There are often silver linings in almost anything and there absolutely are some silver linings in this recession writ large and specifically for any particular business or bank. So, help us zero-in on what could be some opportunities that we need to stop being so fearful of the recession that we miss an opportunity right in front of us.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

One of the things that we look at when we look at opportunities is how we are actually going to reopen in a way that is going to serve our customers and help our business make it through, and then, of course, there are longer term opportunities as well. So, let's start with how we reopen.

### **Bill Conerly:**

Yeah, reopening is dependent on the geography and the COVID caseload, wherever the business is located, and it invariably involves customers, employees, and suppliers. And the companies that are doing the best in the reopening have been in touch with those folks. They have been in touch with their customers. It's easier in a business-to-business standpoint, but for businesses that are dealing with consumers. Do you have an email list? Can you put up a sign saying 'We are about to reopen?' You don't want customers to forget you exist.

### **Linda Keith:**

Right, right.

### **Bill Conerly:**

And some employees have moved to take care of their grandmother in Rhode Island. Some employees have said this is a good opportunity to change jobs. Some employees are getting by on unemployment insurance and don't know why they should come back in to work.

### **Linda Keith:**

Well, and some of them are in a risk category that while most everybody else could go back to work, whether they have immune suppression for some reason or they are over 65, maybe most of your employees could come back, but some of them couldn't.

### **Bill Conerly:**

That's right and some of the people who cannot for health reasons. Look perfectly healthy, but they have got a condition that the boss was totally unaware of.

### **Linda Keith:**

And they never wanted to tell the boss because they didn't want it to be a negative, but now they have to.

### **Bill Conerly:**

Exactly. So the most successful reopening companies, ahead of the reopening, weeks and weeks ahead of the reopening, are on the phone to those laid-off employees saying, "Hey, how are you doing? How are you feeling? Let me tell you what I know about the business, but I'm curious what's up with you?" And just those conversations that build the relationship. And in a busy workplace, often times there isn't time for those relationships. If the business is still closed, this is a good time.

### **Linda Keith:**

So another silver lining, maybe, that you actually get a chance to get to know your employees.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

### Bill Conerly:

Yeah, you know, conversations with employees are just the best employee retention tool available, but conversations with employees, in most cases, are a task without a deadline. And, Linda, how do you do at tasks without deadlines?

### Linda Keith:

I kind of don't do them.

### Bill Conerly:

You are a fairly gregarious person, but some people do not like having conversations and for them, it's a task without a deadline, outside of the person's comfort zone. How do you do on tasks, without deadlines, outside of your comfort zone?

### Linda Keith:

Even worse, even worse.

### Bill Conerly:

Right, yes. So conversations with employees: this could be a silver lining. And, also, don't forget conversations with suppliers. If you are dependent on somebody else, whether it's a product supplier or whether it a service supplier, have the conversation to see if that supplier has cut back on staff, cut back on inventories, levels, has gone out of business. You can't take anything for granted in this world.

### Linda Keith:

Well, and I imagine these are conversation... well, first of all, they should have happening already, because if you just now get the word from your governor that you can open in a week, it's a little too late for a bunch of these conversations. But I assume that even after you reopen, people need to be connected to their supply chain more strongly than they have before, because it might be okay at reopening and then a month later it gets into trouble, and if you aren't continuing to touch base with your employees and your suppliers, things could go wrong.

### Bill Conerly:

And your customers as well, yeah. That continued communication. You know, I'm sort of hardcore numbers/analytical kind of person and the more time I spend with the numbers, the more I recommend: communicate. Talk to people. And I'm sounding like one of these soft-skills gurus.

### Linda Keith:

I know and that's not you, Bill, but apparently it is.

### Bill Conerly:

Apparently it is. Yeah, right. But that will lead us, I think, into the upside.

### Linda Keith:

Okay.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

**Bill Conerly:**

May I tell you a story?

**Linda Keith:**

Please.

**Bill Conerly:**

I was speaking to fastener distributors. You know, I give a lot of speeches to trade associations and fastener distributors are wholesalers of nuts and bolts and concrete anchor bolts. And this guy was telling me about having expanded his business in the 2008-2009 recession. I was kind of dumbfounded, because fasteners are mostly sold to manufacturers and construction companies and those were the parts of the economy that were hurt the most in the recession. So I'm like, "How the heck did you grow your business?"

And he said, "Well, we watched our inventory. We didn't want to have too much, but we wanted to be able to meet customer demands." And his competitors had over-cut their inventory. And this person was able to better serve people and they stuck with him. At first, they called him just because their regular supplier was unable to deliver, but then they called back because this was the guy with the product.

Better customer service, whether it's inventory, or just the help desk, or the people at the counter. Better customer service can win you longtime customers. Yeah, cuts need to be made, but monitor what your competition is doing and you may see some opportunities there.

**Linda Keith:**

So that reminds me of the risk I took in whether or not to lay off my employee. The risk you take. Do you cut back on your inventory or do you look at this as an opportunity and think that if my competitors are cutting back, this is the time to maintain or even expand. But if you do that, then you also somehow need to let all those people that were customers of your competitors know, "Hey, we still have the fasteners. If we can help you, let us know."

**Bill Conerly:**

Yeah, yeah, and I think it is a difficult decision. You need to cut back the expenses typically in a recession, but there are opportunities, and I guess what I'm going to recommend is a balanced view. The need for cutting back is on the one side, but the opportunity. Make sure that you know what the opportunities are and what's the list of opportunities. And some of them may not apply to particular business. They also apply to banks as well as bank customers.

I was on an airplane flight sitting next to a woman, an Irish hairdresser, and when she heard I was an economist, she said, "Oh, that recession we had in 2008-2009 was pretty bad, but it was the best thing to ever happen to my business." And I stared at my tray table. I had a cocktail there and I was wondering if this my first or my fifth that I think she's telling me that the recession was the best thing that ever happened to her business.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

But, she had been in sort of a moderately priced location. She had not wanted to pay up for the best locations. She had a chain of salons selling wigs, weaves, and extensions. But in the recession, she found empty space in great locations and she went to the landlord and said, "Oh, you got empty space not making any money. I could maybe make a deal for you." And she bought inventory for cents on the euro. So she used the recession to propel herself.

I've seen other companies look for equipment. Some companies love used equipment. And this may be an opportunity to get equipment, or location, property. You may even be able to buy a competitor. Some business owners are just ready to throw in the towel. A particular company may be able to get a good business. It may be time for a bank that's entering this in good shape to look at their competitors, who they would like to purchase. So I think there are opportunities out there.

### **Linda Keith:**

Well, and when you are talking about conversations, I think clearly the lending and credit professionals within the bank need to get coached on and then reach out and have these conversations with their business borrowers and business customers and, right behind that, should be those outreach to other businesses that they've really wanted to bank for a long time. And make the connection now, because you never know whether the other bank they're with is doing a good job of connecting with them or not, and if they aren't, and the phone call they get is from you instead, you know, when they are ready to switch, they may choose to switch sooner rather than later, because you're the one who took care of them.

### **Bill Conerly:**

Yeah, absolutely. And when we get into a rebound, there are different business challenges in a rebound. I've talked to business managers and said, "Are you ready for growth?" And they're always, "Yeah, yeah, yeah, I'm ready for growth!" But they're not always ready for growth.

### **Linda Keith:**

What do you have to do to get ready?

### **Bill Conerly:**

Well, let me tell you a story about a company that I was talking with. They make components that go into industrial equipment. So their customers are like Fortune 100 manufactures of industrial equipment. They get, themselves, products from little mama-and-papa machine shops.

When their orders increased in 2010 or -11, they felt really good. They brought back employees and, of course, wages have to be paid regularly. They were ordering materials from these little mama/papa companies that needed to be paid in 30 days or they wouldn't survive. Then their customers were paying them in 90 days or 120 days. So, on an accrual basis, this business was making money hand over fist, but they were running out of cash.

### **Linda Keith:**

Their whole operating cycle wasn't working out for them.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

### Bill Conerly:

Yeah, and you know, the guy says to me, “It’s kind of hard to explain to the bank that I’m as profitable as I’ve ever been, but I don’t have any cash.”

So I think bankers need to be ready for that. It’s even better to have that conversation earlier and say “Hey, when the economy turns around, are you going to be in good shape in terms of cash as well as employees that were laid off? Can you bring back the people you need? Do you have the supply chain intact?”

There are challenges on the upside. A bank can help a business through that and if a bank is fully aware of what a company needs on the upside, maybe an opportunity to pull some customers from a competitor.

### Linda Keith:

Absolutely. Well, and so anyone who has been listening to each of the episodes that I’ve done with you, Bill, they have a really good question list to use in talking with the business borrowers to help them not only navigate through, but then be ready for the upside. Because if they survive it, the upside is coming, just as we knew the recession was coming. We actually do know that there’s going to be a recovery from the recession. We don’t know when or what little shape it’s going to be, but it will be here. So the businesses that are planning for that ahead of time are going to be better able to take advantage of it.

### Bill Conerly:

Right, and when I talk to banking leaders, you know, I’m coming in doing a sales call by asking a lot of questions. One of the things I’ll ask is, “What do you envision your business, your bank, looking like in a few years?” They usually are talking about a growing bank and that requires staffing. This is a good time to treat your own employees well so that your retention is good, but also look around you at the employees of other banks and say, “Who would I like to have on board?” And get in touch with them. You don’t have to make an offer at this point, but just sort of being in touch, have a virtual cup of coffee, and be the person that the talent calls when the talent is ticked off with their current employer.

### Linda Keith:

Because that happens doesn’t it? Sometimes people get ticked off with their employer.

Well, I can give an example of my business as well. The training that I do for Loan Originators has been in person for many, many years, but for the last 10 years, we have also offered it in an online learning format.

### Bill Conerly:

You were ahead of the curve.

### Linda Keith:

I was a little ahead of the curve, so these banks that are now looking for this. So many people, it’s like we have this new virtual thing for you. Well, excuse me, but mine is 10 years’ tested. And so, I haven’t

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

had a hiccup at all. My clients that definitely want me in person, they want me so bad they'll wait. That's great. There have been some who have wanted me in person and then realized not only did they not necessarily know when I would be able to travel from where I am, but many times they are flying people in for the training and they don't have to do that if they have a solid online training option.

So there's another example of a business. We can't just assume that all the businesses are all taking a hit. That's not accurate.

### **Bill Conerly:**

Yes, I was talking to somebody at a major human resources consulting firm and I said, "What are you picking up from your clients?" And they're saying "We've seen a lot of companies saying they are getting higher productivity from their work-from-home employees. They are wondering is there a way to put this in a can and keep it it's so wonderful.

There are a lot of changes here. Look at the opportunities for the upside. Because there's certainly been some upside in this, such as our better use of technology.

### **Linda Keith:**

Absolutely. Well, I'm going to suggest another upside. Let me make sure that everyone listening knows the two books that you have written. One is called *Businomics: From the Headlines to Your Bottom Line - How to Profit in Any Economic Cycle*, and the more recent one *The Flexible Stance: Thriving in a Boom/Bust Economy*.

I would encourage bankers who work with businesses to not only read those two books, but if we're looking for ways to make connections with our borrowers, you might look at which of those two books, or either might be something you simply give to your borrowers. Say, you know, "I just ran across this. This might help you in developing your contingency plan for working through this recession. I thought you might be interested."

If we can find ways that we give tangible evidence of our interest and concern and willingness to assist these borrowers in being successful, which obviously is helpful to us as well. Tangible evidence is good and both of those books would be beneficial to your business borrowers.

### **Bill Conerly:**

Yes, whether it's my book or someone else's book, keep in mind that you are spending on entertaining clients. You're not going to lunch or a going to a basketball game. That spending is probably way down right now. Why not take your favorite business book and send it to the client?

### **Linda Keith:**

I think that's a brilliant idea. Well, Bill, thank you so much helping us with the upside and showing us that even economists can be optimists. I appreciate that and I appreciate your help. Thanks.

# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

### Bill Conerly:

Great chatting with you, Linda.

### Linda Keith:

Thanks for joining us on the Credit Risk Ready Podcast. Subscribe, comment, or share on social media to stay connected and spread the word. Join me next time as we bring our bank, our customers, and our communities through the recession safe and sound.

Take care.

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### *About Bill Conerly*

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Bill has a PhD in economics and over 30 years applying economics to business challenges. He worked for First Interstate Bank, rising to the level of senior vice president and has held positions in economics and corporate planning at two Fortune 500 corporations. For the past 10 years he has consulted for companies large and small, helping them to make better decisions through a better understanding of the economy.

He writes for Forbes Magazine and is the author of two books: *Businomics: From the Headlines to Your Bottom Line - How to Profit in Any Economic Cycle* and *The Flexible Stance: Thriving in a Boom/Bust Economy*.

He is also a member of the Oregon Governor's Council of Economic Advisors.

Links to books:

*Businomics: From the Headlines to your Bottom Line - How to Profit in Any Economic Cycle*.

<https://www.conerlyconsulting.com/writing/businomics/>, also available on Amazon.

*The Flexible Stance: Thriving in a Boom/Bust Economy*.

<https://www.conerlyconsulting.com/writing/the-flexible-stance/>

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# Credit Risk Ready Podcast With Bill Conerly

## *The Silver Lining: Opportunities in Reopening and Recovery*

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### *About Linda Keith*

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Linda Keith CPA draws on her 30-plus years of experience consulting with and training lending institutions; background in public accounting; 15-plus years as CFO of the family residential construction company; experience as an examiner with the Washington State Auditor's Office; and as adjunct faculty in Accounting Principles and Managerial Accounting to help lending and credit professionals say “yes” to good loans.

Of course, you know those are not consecutive years or she'd be over 100 by now!

Linda is known by her clients to be both practical and funny. In fact, there is a move afoot to change the 'P' in CPA to stand for 'Playful'. The fact is people absorb ideas and learn better when they are having a little bit of fun. So, Linda brings the fun along with her practical knowledge and depth of understanding to provide credit analysis training and presentations that make a difference.

She is the founder of [Lenders Online Training](#), a virtual classroom approach to improving tax return and financial statement analysis capabilities; the host of the [Credit Risk Ready Podcast](#); and a [consultant/trainer on credit risk](#) to banks and credit unions across the country.

[www.LendersOnlineTraining.com](http://www.LendersOnlineTraining.com)

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