



By: **Emre Alkin**

What will companies do if the conflict spreads further throughout the region?



The history of the Israeli-Palestinian conflict, its effect on international trade, and the possible damage it may cause to the global economy are discussed in detail by my colleagues.

So, I do not feel the need to comment further on the issue since it is being explored thoroughly by the experts.

Today, I would like to offer some pieces of advice to companies about what to do in case of a sharp slowdown in global trade and decrease in supply.

Supply and Debt Collection

Always be reminded that your reliance rate on any company, for either supply or sales, should not exceed 30%. Unfortunately, many companies prefer supplying from or selling to a single source.

If a business interruption emerges due to the Israeli-Palestinian conflict, the first thing that companies should do would be to "focus on the solution".

When a business seems to be going well, people tend to ignore other things that are going wrong. So, if a possible expansion of the conflict causes a trade slowdown, it would be useful to review the company in terms of external stakeholders.

Never say, I already have many suppliers. The problems they might have with their own suppliers may also put your business into trouble.

Therefore, always make sure you run a thorough analysis of your supplier and customer ecosystem.

Meanwhile, if the demand in one of your products increases amid any state of conflict or war, remember that this is just a trend, and do not grow your production capacity until the demand becomes stable. Otherwise, you go bankrupt.

If you have any, you should also address the chronic problems regarding collection and payment. In fact, this is a quite operational matter, and it requires constant control and correction, but no one touches it because they know that it will function one way or the other, though perfunctorily.

Finance

It is crucial that you have an end to end finance process. A financier and an accountant are not the same thing. An accountant investigates the past, a financier, on the other hand, investigates the future.

It is necessary to design a finance system that takes into account credits, funds, maturity and cost elements at every stage of supply, production, payment and collection.

Such a system would be quite useful in formulating a solid idea about the current state of your company.

Remember, many companies have gone bankrupt due to simple cost accounting or financial errors. Also, I do not expect that the financing costs, which were going rapidly up before the war broke out, will improve any time soon.

I am aware that it is difficult to find large funds to cover your long-term needs. Therefore, you may need to start a "purge" operation to lower company's expenses.

Spend Control

Among the expenses of companies, there are often expenses that are made to please the wants or ambitions of the boss and senior managers, not to meet their actual needs.

From renting cars to eating out, from travel to fuel, the company owner and their family or senior managers almost always spend the company's money like it's their own.

Bosses allow their senior managers to certain luxuries so that they do not object to their actions.

"So, if, as a company owner or an executive, you have spent the company's money before, you can just promise to yourself that from now on you will stop spending the company's money in the upcoming period, because the upcoming period will be a difficult one." You will see that when your company will be relieved of such payments that we call "ambition spending", it will once again begin to thrive.

Human Resources and Digital Transformation

Whether things go well or bad, the company's job is to "sell". Banks sell money and companies sell goods or services.

Today, companies survive not by selling goods or services, but by financing methods based on these sales operations. Of course, companies who have digitally transformed themselves move faster compared to those who have not.

You must continue to make efforts to implement a proper digital transformation and you must also optimise human resources.

By optimisation, I do not only mean decreasing the number of staff in the department, but I also mean retaining employees who are proficient in their jobs or who have promising potential.

The pandemic showed us that employing large numbers of people in huge buildings is just absurd. So, what you need to do is hire people that can increase efficiency while constantly strengthening your technological capabilities.

Borrowing

Both governments and companies went into excessive debt during the 2001 banking crisis in Turkey, the 2008 global financial crisis, the

COVID-19 pandemic, and the Russo-Ukrainian war.

Today, led by the Group of Seven, the world has the highest borrowing rates since the Second World War.

Not only governments, but also companies have a high debt burden. When managing a company, if you want to get out of this debt spiral, you must first run a minimum surplus of 20% of your profit in the primary balance, as the governments do.

When inflation and interest rates were low, this rate was 5%, but given the current conditions, you must achieve at least 20%.

I can almost hear you ask me, "But How are we going to do that"? As I have explained in detail above, you must think and act in accordance with your needs, not your wants.

Seizing Opportunities

Do not lend money to a friend or an acquaintance to save their business, because you will not get it back.

If you think you can run the company in question better than them, take it over on good terms without lending any money.

This way, you will save both the company and the added value. Remember, many people have expanded their businesses in times like these. Such opportunities do not come along very often, especially not in times of rapid growth.

Well, I do not think that the Israel-Hamas war will turn into a Third World War. But it will inevitably cause financial bottlenecks.

The US and Russia and even other countries will oppose each other, but they will not wage war against one another. Only the innocent will suffer. There is no "eternal hostility" in the Middle East. There are only threats and opportunities.