“HAVING A FLEXIBLE BUSINESS MODEL MAKES A DIFFERENCE”

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Mr. Jezoreck, most of the executives interviewed for our survey believe that another economic crisis would be much more severe than the crisis in 2008/2009. How do you think the economy will perform in Germany and Europe?

At first glance, I was surprised by the survey results because, at the moment, we are not seeing any signs of this at the macroeconomic level. But your findings can also be seen in a very positive light. They show that executives have become more wary and are proceeding more cautiously. Many companies are now in very good shape in terms of their order books and employment levels. Furthermore, enterprises are in a substantially better position when it comes to operating income, liquidity and equity capital ratios than in 2008. Therefore, I am very optimistic overall: If everyone expects another crisis and is prepared to respond quickly to changes, the next crisis will hopefully not take on the dimensions of the one in 2008/2009.

What factors might aggravate a possible new crisis? What are the major risks?

Exogenous shocks may occur and negatively impact the economy. The rapidly increasing debt levels in Europe, for example, constitute a serious threat. At the moment, however, this issue is not quite as critical as in the past. However, it remains to be seen whether this will also hold true in the long term.

Which industries do you think are at high risk from economic developments?

Industries that are early in the cycle should remain especially vigilant. Automotive manufacturing, because of its value chain, is one of the industries that needs to react quickly. This also applies to some mechanical engineering companies, for example, manufacturers of printing machines, as these are usually among the first to be affected by a slump in the economy. Companies in these industries should be prepared well in advance and adapt their business models as flexibly as possible to today’s high market volatility.
Unfortunately, this is more difficult in a number of other industries, such as plant engineering. In general, though, I am optimistic because companies that survived the last crisis and did their homework are now much better equipped than they were in 2008.

**Basel III still has quite a lot in store for us. Have banks raised their lending criteria over the past few years?**

Many of the stricter regulations are still subject to change, and at this stage, it is not yet possible to precisely quantify their impact. However, all banks in Germany and Europe are facing new challenges. They are being forced to take a closer look, increase their equity capital ratios and adapt their lending procedures. Germany, though, is far from experiencing a credit crunch. The market is still very robust, and sufficient capital is available – not least because the demand for credit has declined. Nevertheless, companies should be thinking about securing their long-term financing, especially now. They need to implement systematic risk management in this context and be able to draw on a well-balanced portfolio of financing tools to protect themselves, for example, from fluctuations in exchange rates and commodities prices.

**Has the dialog between banks and companies changed in recent years?**

Banks and their customers communicate very differently now. Communication has become more comprehensive and much more open. Today, every financing solution must be customized, not only because companies are positioned differently, but also because every industry has successful and less successful players. Consequently, banks spend much more time on understanding business models, analyzing risks and developing solutions. Companies, on the other hand, find it very important to understand how banks work and to inform them about developments promptly and openly.

**What are the main factors for success in managing crises over the long term?**

It is not really possible to give an across-the-board answer to this question because every case must be considered individually. But there are certainly some factors that are indispensable to sustainably managing every crisis. They include being absolutely open, accepting reality, making the most of the remaining assets and, above all, reacting quickly. The flexibility of the business model also makes a difference.

**Mr. Jezoreck, thank you very much for the interview.**

The interview was conducted by Lutz Jäde, partner and restructuring expert at Oliver Wyman.