



Nov 14, 2012

## Opportunity in the Face of Uncertainty

By Crit DeMent

Opportunities are all around us. The challenge is to find them, and then to convert these opportunities to value. It's the basic formula for success, which is simple, but rarely easy. It's really a matter of seeing what's already in front of you, and then taking action on it.

The reason we often miss opportunities is because we're uncertain about what we're actually seeing. Uncertainty creeps into virtually every facet of both life and business, and it can often cloud the lens of how we perceive the world around us. It is just something that we have to deal with.

And deal with it we have. The nation as a whole and the equipment finance industry in particular have a long and storied history of dealing with—and overcoming—uncertainty. The ability to do this is called resilience and even though no dictionary lists the word resilience as the antonym of uncertainty, it is perhaps a fitting definition.

Uncertainty is a constant. Resilience is a requirement. And the only way to overcome uncertainty is to become resilient. This is a fundamental principle of success. It is also a fundamental reality of the business cycle. For example, right now we're dealing with uncertainty of epic proportions. It's an election year, which always ramps up the uncertainty quotient, and on top of that, the economy is poised on the cusp of recovery from a devastating global financial meltdown.

In the U.S., the recovery is under way, albeit at an excruciatingly slow pace. In Europe, things are a little less positive. And in a global economy, we are all in this together. So yes, there is a tremendous amount of uncertainty infusing the business climate and polarizing the political dialogue. But the equipment financing industry has been here before, and at some point in the future, will no doubt be here again.

For now, the industry needs to do what it's always done—buckle down and get to work, financing equipment for the businesses that need it. Challenges of equal, if not greater, impact have been faced before, the storm weathered, and progress made. The Tax Reform Act of 1986, when the government swooped in and completely revised depreciation is one example. Then we had the Russian financial meltdown followed almost immediately by the implosion of Long Term Capital Management.

The end of the century—the century that saw the birth of the equipment finance industry—ended with everyone worried about Y2K, heralded as the apocalypse of the world's collective computing capability. The new century's first decade closed with the advent of the Great Recession, combined with an unprecedented credit crisis that resulted in a traumatic upheaval of the world banking landscape.

By that point, the equipment finance industry was also at a critical crossroads. The capital markets were on unsteady ground, the players nervous. Nobody had faced uncertainty of this magnitude before, and the course ahead was unclear. So the industry did what it always does—it kept on moving, all the while demonstrating business leadership and encouraging continued investment, on one side in the capital markets and on the other side in business equipment. The equipment financing industry proceeded through the crossroads of uncertainty and risk, significantly improving the prospects of a real and lasting recovery in the process.

It's not over yet, however. Even as the recovery inches along, there is a lot more work to do. Things are clearly on the right track, but most people would agree that the pace should be accelerated. The robust financial rebound that is necessary for a healthy and vibrant economy seems to be constantly poised just beyond our grasp. The equipment finance industry needs to do its part in moving things along by once again being resilient, and staying in the game.

There are several ways to do this. Take jobs for example. Since the early days of the campaign, and continuing to this day, the creation of jobs has been a cornerstone of the candidates' rhetoric. They are also talking about "fixing the economy" and "getting back on track." One way to look at this might be that if it's your job to primarily talk about creating jobs, there are probably other people better suited to actually creating them. The same thing holds true for the economy.

That's where the equipment finance industry comes in, because it can do more to drive business growth, create jobs, and stimulate the economy than any politician can. How? By funding the equipment that businesses need to be successful, and then by partnering with those businesses for sustained success over the long-term. Everyone is in this together, and the equipment finance industry needs to assume a leadership role in the relationship. The industry must highlight opportunities for its customers, and then help them to convert the opportunities into value.

Before that can happen, however, the industry must agree that such opportunities exist, and must then get excited about pursuing them. The industry needs to practice opportunistic thinking before it can preach it. Right now, the Equipment Leasing and Finance Foundation Monthly Confidence Index is flat. It appears that most industry professionals believe that the business climate, demand for leases and loans, access to capital and the overall economy in general isn't going to dramatically improve anytime soon. The industry's collective outlook, in short, is neither particularly positive nor very enthusiastic.

That needs to change. When the industry is uncertain about the general state of affairs, it carries over to businesses that depend on finance companies to acquire new and needed equipment. If businesses are not acquiring new equipment, it means they're not growing, which in turn means that they're not adding jobs. Everything comes to standstill while valuable capital remains idle. Ultimately, the decision not invest in the future is based on emotions and not business drivers.

There is no longer any valid reason to wait on the sidelines and defer investment decisions, and business customers need to understand this. The fact of the matter is that this is a great time to be in business. New technologies are empowering companies to do more with less. Those same companies are reinventing themselves to capitalize on the new realities of business and multitude of opportunities that have arisen.

The equipment financing industry has evolved as well, to an extent reinventing itself in the process. Rigid, monolithic institutions with bureaucratic processes have given way to much more agile, streamlined, dynamic and "user friendly" organizations. In the new scheme of things the marketplace now dictates the tempo of business, and it's up to the equipment finance industry to keep up the pace.

The value of today's cutting edge finance company is based on much more than its balance sheet. The collective wisdom, experience and expertise of the

management team are as much a part of the company's value structure as are the financial resources. Funding transactions is only part of the expanded role in the emerging new world order. Value added services that leverage the intellectual capital of the finance company must also be provided.

Any equipment finance company that fails to find, recognize and act upon the growth potential of this exciting time in our history will miss tremendous opportunities. For those who do seize these opportunities, however, there is no limit on how far you and your organization can go.