

BUSINESS EDGE: *Top 5 Strategies for Today's Tough Business Climate*

Today's current downturn poses unique challenges. However, for good business people, this is also a signal to mobilize and take advantage of opportunities within your grasp. With competitors struggling, it is a great time to build your business. There are two key areas you need to focus on — your survival and your growth. Here's five strategies to consider to make the most out of the current business downturn:

1. GET THE CASH

Cash is the life blood of every business. You need to get as much cash as you can into the business, and protect it once you have it. If you had to get money in the door within 30 days, how much could you capture with full effort? Where do you have cash?

IDEAS

Accounts Receivable: Potential cash may be tied up with your slow-paying customers. Build in an escalation procedure to pursue accounts that are 30, 60 and 90 days past due.

Purchases: Review the cash going out of your business. Can you stop spending in areas? Can you slow down the speed at which cash is disbursed? Look for opportunities to consolidate vendors and renegotiate purchasing agreements.

Overheads: Facilities represent one of the top expenses in most businesses. Subleasing is one option for turning unused space into cash. Off-site storage space can be consolidated or eliminated. Other savings options include hoteling or cutting back on parking or HVAC charges.

2. RETAIN YOUR PEOPLE

In most businesses that employ people, you have a portion of your staff that you are lucky to have, a comparable portion you would be better off without, and the remaining group that falls somewhere in-between. In tough times, you must protect your best people, the top-performing, top-potential group. How can you make sure you keep the ones you need? Are they under contract with you? Do you reward them? Do you tell them how much you appreciate their efforts?

IDEAS

Communication: During uncertain times, you must communicate with your staff on a routine basis. Plug into the rumor mill. Address fears before they have a chance to be voiced. Use this time to reinforce the company's values. Values drive attitudes, which, in turn, drive behaviors.

Maintain Energy: As a leader, when you are energized, your business is energized and more productive. You must develop and guard your energy levels. Time management for you and your people is the biggest thing to address in tough times. Twenty percent of what you do generates 80 percent of the benefit to your business. Stop doing some of the low value activities where you expend time, and you will boost your energy level.

3. RETAIN YOUR CUSTOMERS/YOUR REVENUE

Keeping your best customers is much like keeping your best employees. In many businesses, 20% of the customers drive 80% of the revenues. Figure out who your top customers are and spend time with them. Find out what problems they are having and what

you can do to help them. Keep in close contact with them on the things you are doing for them. Thank them for their business. See if you can help your customers get more business.

IDEAS:

Lead Generation: Depending on your industry, there are many sources of short-term leads that can help fill the sales pipeline. Do your current customers have friends to whom you can sell? What about your other primary referral sources? Other potential sources of leads include web site optimization, trade shows, special mailings and electronic newsletters.

Sales Push: When business is abundant, many top managers are occupied with the delivery of products and services. Take advantage of the current climate to channel senior resources toward sales development. Build a prospect list. Form sales SWAT teams. Create special business development incentives. Drive additional sales.

4. IMPROVE YOUR PROFIT

Cash and profit are closely related. Around 20 percent of your expenses are due to waste in your business. You could remove that waste, and the savings become instant profit (and probably cash). Examine your people and material costs. If by law, you had to double your profit in three months, what would you do? Why not just do it anyway? The current economic climate may provide just the incentive your organization has needed to tackle lingering inefficiencies previously ignored.

IDEAS:

Process Improvement: Avoid the temptation to simply cut people or other costs, while leaving inefficient or antiquated processes in place. Identify critical processes within your business. Find ways to remove unnecessary steps, eliminate rework and strengthen internal controls. Streamlining your processes will reduce costs and improve service to your customers.

Profitability Analysis: Take a hard look at profitability by customer, product and channel. Eliminate the areas of your business that are not providing a positive return. Focus on the remaining areas that drive positive profits.

Tax Credits: Retain the profits that you have produced. Consult advisors to ensure you have taken advantage of available tax credits, such as research and development credits, and employee retraining credits, to name a few.

5. REFOCUS YOUR STRATEGIES

Success in business requires not only doing things right, but focusing on the right things. This is the reason for creating and maintaining a strategic plan. If you have a plan, then now is a good time to examine, revalidate or modify strategies. Have external conditions changed that require modifications? Does the current economy offer new opportunities to pursue?

IDEAS:

Mergers and Acquisitions: The recent and much-publicized decline in the M&A market was largely driven by a decline in the large-deal, high-leverage market. The M&A arena continues to be an attractive alternative for emerging companies with solid management teams and a good market position.

Recapitalization: Small and medium-sized, privately-held businesses still have the opportunity to draw substantial interest and attractive valuations in spite of today's uncertain market conditions. Recapitalization provides business owners the chance to achieve greater liquidity while maintaining an appropriate equity stake in the business.

Getting your business under control is critical in tough times. There is no point in growing a business that does not have good cash flow, profit or leadership. Get these five things largely right, and your business will grow. Every leader and every business is different, so you need to decide which activity to tackle first. All five strategies are equally important, and the need for speed is even more critical today than in normal times.

What will you do first?