

The Five things to do when times get tough

Every few years the business cycle turns down and things get tough. You need to focus on survival and growth.

Cash is fact; accounting is opinion. You need to get as much cash as you can into the business and protect it once you have it. Where might cash be stored? It might be with customers who are slow in paying. It might be in expenses or overheads you don't need. It may be in assets you do not really need to own. If you had to get some money in 30 days, how much could you get in if you put in maximum effort? Can you stop spending in any areas?

Most businesses have a third of your staff that you are lucky to have, a third you would be better without and the remaining third are somewhere in between. In tough times you must protect your best people, the top two thirds. Perhaps you should get rid of the bottom third. How can you make sure you keep the ones you need? Do you reward them? Do you appreciate their efforts? Is working with you fun?

Keeping your best customers is much like keeping your best employees. Work out who the top two thirds are and spend time on them. Find out what problems they are having and what you can do to help them. Keep in close contact with them on what you are doing for them. Thank them for their business; ask if they can give you more business. Do they have any friends they can refer to you? Are you linking your best people with your best customers? How can you help your customers increase their business?

Cash and profit are closely related. Around twenty percent of your expenses are due to waste (excess costs). Can you reduce your overheads? What about your people and direct costs? If by law you had to double your profit within three months what would you do? Why not just do it anyway? Do you know your profitability by customer? Did you know that twenty percent of your customers and twenty percent of your services generates eighty percent of your profit? Why not just focus on these customers and services for the next six months?

When you are energised your business is energised. You must develop and guard your energy levels. Are you fit? Do you love what you do? Are the people you work with fun to be with or are they energy vampires? Do you work too hard? Twenty percent of what you do generates eighty percent of the benefit you are to your business (and family) so what are you doing for the rest of the time? Maybe if you stop doing some of the low value things you will boost your energy levels.

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. What will you do first?

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