

10 ways to strengthen your business **without** spending money

Proactive and powerful actions that will meet every CEO's budget

by: AJ Steger
v. A.1



Article Summary

You've made all the easy cost cuts. You've started the contingency plan. New ideas to spur growth are plentiful, but they all cost something. When cash is tight, you must find ways to ensure your company's survival without breaking the bank. Here are ten ideas to get you started.

No 1: Stay Engaged With Your Employees

As a leader in your business, you must provide employees with a sense of stability and confidence during times of economic unrest. Let them know that you are in control of the situation, and be a force for optimism.

You can begin by getting some exercise. Walk the hallways, making yourself visible and accessible. Though you might be full of anxiety, the last thing you should do is stay behind a closed office door. That will only increase suspicion and fear. Be honest about the challenges you face, but remain optimistic.

For the last several years, employers have been fighting the opposite of fear - entitlement. When job markets are good, employees have an increased sense of privilege, and productivity suffers. At the other end of the spectrum, when job markets suffer and fear takes over a company culture, productivity suffers as well. It seems in the past 12 months we have jumped straight from entitlement to fear, completely skipping the middle and most productive part of the spectrum.

It is a leader's responsibility to manage the balance between too little anxiety and too much. Either extreme will be detrimental to productivity. This rule can be applied to individual as well as corporate management.

No 2: Hug Your Customers

Ask your customers how they are doing. After all, the health of your customer's business drives the health of your business. Show them you care about their success. Ask them specifically what you can do to help.

We have one client in particular who has begun to host a series of free seminars for their customers. The client brings in experts to lead the sessions and focus on teaching good business practices.

Approach your customers with a sense of humility. Spend some time listening and asking questions. Be proactive, and let them know that you are keenly interested in helping them to succeed.

No 3: Beat Your Banker to the Phone

Get your financial information out fast and let your banker know immediately about any concerns you have. Being proactive in this relationship will go a long way.

Start by speaking with your controller about how you can get financial information faster. With good performance indicator reporting, you don't have to wait for end-of-the-month financials to know how you are doing. Keep a close eye on your financial situation and start the conversation with your banker.

If you have not met your banker's boss, now is a good time to do so. Your banker is likely reporting to his or her boss on the credit situation. You need to cultivate a relationship that keeps both of them well informed.

No 4: Lead with Balance

Some leaders tend to focus on costs, while others emphasize growth. Those who put too much emphasis on costs tend to be stranglers who inhibit the growth of their organizations. By contrast, those who focus too much on growth can be kamikazes, out-stripping their resources and eventually ending up running short of capital.

It pays to lead with balance, especially during troubled economic times. When business slows, you might be tempted to lean the way of the strangler. This isn't a terrible idea. Stranglers tend to survive lean times, as opposed to kamikazes who grow in good times but crash when the economy does.

However, stranglers rarely maximize the growth potential of their businesses. Do your best to stay

balanced. There can be fantastic opportunities for growth during times like these. Stay open and take a careful look at the possibilities. If there aren't any, maybe it is time to hunker down. Opportunities may not exist for every business.

No 5: Change the Rules

You can begin to do this by challenging every assumption about your business model. It could be time to try some radical ideas. Don't let go of your core ideologies, but think hard about those long-standing habits that are no longer questioned.

We once worked with a client group who had some rules they thought were immutable. They thought they had to deliver to each of their customers twice a week, no exceptions. We found that they were actually losing money on smaller customers. After some research, they decided to reduce delivery frequency to these smaller clients. It did not compromise their service and it saved them millions of dollars in distribution costs.

Challenge your current ideas, make some tough decisions and change the rules if you need to. Be innovative and decisive. Try new ideas, measure their results and try again. Many business leaders assume that because they are the little guy, they have to play by the big guy's rules. Yet time and time again, ground-breaking rule changes have come from little guys or even those outside the industry.

No 6: Speed Up Your Information Flow

As quickly as things are changing, you need fast, streamlined information. Start by ignoring the national and even state economy. Look at the condition of your micro economy and your specific industry. Find the facts and get weekly or even daily updates.

First, think of three things your business requires to be profitable. Then, get those items into a report. Update the information rapidly and frequently. As

you look at the facts of your specific market, test your intuition based on facts, not perceptions. Compare the facts to what your sales and marketing people are telling you. Challenge their assumptions, and work with them to adjust forecasting, based on the on the facts.

With this information in your hands, be decisive and proactive. It's a lather-rinse-repeat process. Get the facts, make a decision, measure and repeat.

No 7: Protect Your Balance Sheet

Difficult economies force many businesses into a vicious cycle where declining revenue leads to operating losses and then negative cash flow. This in turn produces a weakened balance sheet and an inability to invest, causing revenue to decline even further.

As it becomes increasingly important to avoid that cycle, you must look yourself in the eye and be honest about the state of your business. Make sure your salespeople are not incented to bring in unprofitable or poor credit business. In some cases this might mean shifting your sales commission to reward cash flow, not revenue.

To further protect your balance sheet, simply follow the golden rule of working capital: do to your vendors as your customers do to you. Don't be the martyr, trying to protect every relationship. Negotiate with your vendors for better deals and longer payment terms. Your customers will do the same. To keep their business, you're likely to comply. Often, there is no harm in asking the same from those on the other end.

No 8: Narrow Your Focus

What do you do best? Where do you make money? It's very possible the success of the business could be hiding the unprofitability of specific products or services.

Start by examining numbers at the product or customer level. By discovering unprofitability in certain areas, you may be forced to make a difficult decision. It could mean cutting products or customers. When cash is tight, focus on what is moving your business forward.

For many business leaders, their first reaction in difficult economic times is to diversify. But in a declining market, that is the wrong thing to do. It does not help to be frantically groping for business. By doing what you do best, you will preserve cash and gain an advantage over your competitors.

While diversifying can be dangerous, that does not mean you can't expand your business. Look for ways to grow within your niche market. You can begin to do this by looking beyond artificial or mental boundaries like geography, for example. Depending on your particular business, there might not be any reason you can't grow your client base in other regions. Today, large deals happen via phone and internet every day.

No 9: Create a "Stop Doing" List

One of the great myths about productivity is that you get more by doing more. That is not necessarily true. Productivity is a matter of output measured against input. Productivity goes up when work is more efficient, not when people work harder.

The lesson here is that doing more doesn't get you more. By doing the right things and cutting away unnecessary activities, you can increase your productivity. Have each of your employees

analyze everything they do. What are they doing that is not producing?

This may begin by challenging your current habits. Analyze your routine. There might be things you've always done to generate business that are no longer working. Dig in and find creative ways to streamline your processes.

No 10: Remind Employees that Life Exists Beyond 2009

Having a positive attitude can make a big difference to your organization. Make sure you are using the word, "when" not "if."

Use your organization's vision statement. If you don't already have one, create one. It doesn't have to be lengthy and it shouldn't focus on dollar goals. A vision statement tells who you are as an organization, what you do and where you're going.

BONUS: Have Fun

If this doesn't sound like you, find the fun person in your office. Give them a small budget and let them run. By letting them run the show, you also give your employees ownership.

In my department, I put two of our younger employees in charge of fun activities. One of their first events was "funny shoe week," something that I never would have thought of. Each day that week, people wore their funniest shoes. Pictures were taken, and at the end of the week there was a vote for the winner. It became so popular that it was later repeated as a company-wide event. The best part? It cost nothing.

AJ Steger is a principal with EKS&H Business Consulting, providing management consulting services in the areas of business strategy and financial performance improvement. He can be reached at asteger@eksh.com or by calling 303.740.9400.

www.eksh.com/businessconsulting