

# MayTrends

GEORGE S. MAY INTERNATIONAL COMPANY



## Cost Effectively Managing Your Business In A Downturn Provides Strength For the Inevitable Economic Upturn

For business owners, all the talk about whether or not there is a recession is immaterial. What matters is how their specific business is affected.

Regardless of the impact that the recessionary fears have on companies, these concerns should signal to all owners that now is the time to take a hard look at business performance.

Stepping back and looking at the business serves two purposes. First, the owner needs to consider what must be done to ride out the current economic downturn. Second, today's actions must take into consideration not only short-term fixes but also what should be done to effectively position the business for the inevitable upturn in the economic cycle.

The following are a series of actions that George S. May International Company recommends business owners take to protect their businesses today and align them for future growth.

### 1. Focus on the core business and core values.

While this might sound overly simplistic, a focus on the core business and core values that created the business can be one of the tougher issues for many owners who have expanded their operations.

In good times, many businesses are willing to experiment and try new ideas, special services and different products. Success with the core business allowed expansion into new areas. These may be personal favorites of a limited number of customers or may be championed by specific employees in the business, perhaps even the owner.

If a decision to continue with the add-ons was simply a matter of dollars and cents, the decision could be easy. However, the money, while an important concern, is not always the most significant issue. There could be extenuating circumstances. Perhaps an expansion is the favorite of a key employee. Customers may have come to expect these add-on services.

Or specialized equipment or inventory may have been purchased to support the add-on effort.

How does an owner make a decision when confronted with these situations? Prioritizing is the key concept. If the business is in danger of bankruptcy, everything must be considered as a cost-cutting measure for survival. However, if the situation is not severe and the issue is more of belt-tightening rather than survival, the priorities need to be weighed.

Would you, as the owner, be willing to lose an employee who was displeased because you no longer supported a favorite service or lose a customer because a desired product is no longer available from your business? What would the impact

to your business be? Is keeping that employee or customer costing you more than the effort brings in? How much does a specific service or product add to your bottom line?

Questions such as these lead to the next issue that business owners must confront when managing in a downturn - the contributions of their employees and customers/clients to the business bottom line.

### 2. Measure the value of your

### customers/clients, and your employees.

Owners must know the value of their specific customers/clients. Who are your best customers? Why are they your best ones? What services or products do they purchase? How often? With this type of information you can knowledgeably consider the impact of eliminating or changing some services or products without losing customers because you've eliminated a key product or service.

Essentially, you need to determine the ROI (return on investment) of your customers and your employees. What's their individual contribution to the business?



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Every bit as important as customers are your employees. In fact, at professional services firms, a specific employee may be more important to a client than any other person at the business, including the owner.

Even if the situation you are confronting does not include the issue of losing employees or customers, the issue of employee morale is important.

A key way to make sure your customers and employees know the concerns and issues at your business is to communicate.

### 3. Communicate with customers and employees.

Communicate your message more than you think is needed. Explain your plan, and then explain it again. Ask your questions, and then ask them again. Why? Because the truth is that when you speak people don't necessarily pay attention. No matter how much we would like to think the employees hang on every word the boss says, the truth is they don't.

Look upon your communication with employees and customers as advertising. It's well known that an ad printed or broadcast once is not as effective as the same ad printed or broadcast numerous times. Every time it is seen or heard more people are aware of it and it makes more of an impact. Communicate your message with customers and employees using the same logic.

Communication involves obtaining information and passing it along to people who matter. Some information you should want includes: What do your customers/clients want? What are their expectations in these current economic conditions? How has it changed? Why has it changed? What can your business do to make them more successful? These are questions every business should be asking of their customers/clients, but few do on a regular basis.

Communicate the conditions of your business and your customers to your employees. Don't keep it a secret. There are at least two very good reasons for communicating openly.

First, if information isn't provided people will begin to make up their own ideas. Unless you want your employees and customers creating their own ideas about what is happening at your business, you must communicate it.



Second, keeping the people that depend upon you and the business - your employees and customers - informed about what's happening makes good business sense. Sharing information can bring surprising rewards to the business.

Being trusted with this shared information can create a stronger bond between the owner and employees. It also fosters a "we're all in this together" feeling. In addition, sharing of information often sparks ideas on solutions and notions from people who may have felt that their input was inappropriate or unwelcome.

Customers also appreciate your shared insights to the economy and the business environment. It moves a business relationship from being a vendor or supplier to being a partner. Partnership doesn't happen simply because a business wants it, it is only bestowed on a business by another.

One of the amazing benefits of communicating with others is that it fosters them responding by communicating back with you - communication begets communication.

Once you signal and show you are open to ideas and begin asking for input, more and more employees will provide ideas and information. Be ready for interest and involvement in the business condition.

With communication channels more open, consider what these people can provide to help you plan the future of your organization.

### 4. Planning. Do "what if" exercises to build confidence.

Having a plan and "planning" are not the same thing. Too often a plan is a static document. It sits on a shelf. One or two people may have created the plan, given it to others and that's as far as the plan goes. Planning on the other hand is an activity. It is ongoing. As conditions change, the planning a business does needs to change. Planning adapts and evolves as conditions change.

An excellent method to keep the planning current and active is to do "what if" exercises. These keep your managers, supervisors and employees mentally fresh and thinking about different ways of accomplishing tasks. These exercises also build the company's confidence. If you and your employee team members have looked at different possibilities that could occur because of economic conditions, you and your employees will be more confident that the business can handle whatever situation occurs.

These four basic actions:

1. Focus on the core business and core values,
  2. Measure the value of your customers/clients, and your employees,
  3. Communicate with customers and employees, and
  4. Planning. Do "what if" exercises to build confidence.
- provide virtually any type of business a structure for handling the immediate concerns about today's economic conditions. In addition, these action points position a business to take advantage of the economic upswing that inevitably follows in all business categories.