

The Recession is going – what next?

During the recession, I helped business owners to do five things:

1. Manage your cash flow
2. Retain your best people (and exit the worst ones)
3. Retain your best customers (and exit the unprofitable ones)
4. Improve your profit (by removing waste)
5. Guard your energy (you'll need it when times get tough)

These five strategies took advantage of the recession and made changes that normally business leaders did not want to do. There were 4 countries that didn't technically go into recession (Australia, China, India, and Indonesia) but globally things have been tough for everyone regardless of where they operate.

Most businesses took the opportunity to right-size and remove the obvious cost but almost all failed to leverage the recession to its fullest in terms of waste reduction. Issues such as “consequences” and “leadership” remained the sacred cows.

What are “consequences”? Everyone is fully aware that “failure to implement” is their biggest issue. We are all capable of coming up with clever plans but rarely do firms implement everything they set out to do. The primary reason for this failure is that there are few, if any, consequences for missing your targets. It takes courage to set and follow through on the consequences. If you achieve your goals there needs to be positive consequences but if you don't, negative consequences need to be applied. This policy needs to start at the top of the company.

What about “leadership” needs to change? Obviously the leader needs to set a good example regarding their targets and accepting the consequences for not achieving them. The leader also needs to guarantee that the shareholders can get the right return on their investment. Profit needs to be locked in place, whatever remains is all you have to run the business. This attitude forces the leader to take tough decisions. The leader needs to be seen by all concerned as “firm but fair”.

An independent review of overheads and operating costs is essential before the economy takes off in 2011. Why put more business through an incapable system? You will not meet your profit budgets without this review. Here is a check list of opportunities. Tick the box next to the ones you have and then estimate the annual cost/savings for each. What is your total? You should find the number is somewhere between 10% and 20% of your annual sales (depending on how hard you cut).



ABN 18 009 600 328

Tick the boxes below	OPPORTUNITY	ESTIMATED VALUE	PRIORITY
	1. Remove poor performing staff		
	2. Remove unprofitable customers		
	3. Remove waste in sales process		
	4. Remove waste in production process		
	5. Reduce overheads		
	6. Achieve or exceed budgets		
	7. Remove inefficient suppliers		
	8. Increase average sales/customer by 20%		
	9. Improve cash collection by 20%		
	10. Other please specify		

You have less than 12 months to free up this cash. You will need all of it to fund the growth that is coming. Already cash flow is tightening, take action now. Get some help as you will not make the time it needs. Your role is to make decisions, establish consequences, and deliver on your budgets. There is a cost benefit; the savings you make in 2010/11 will be there year after year.

The last question to ask yourself is “what barriers are there that are stopping me from making a start on the waste reduction program”? Fix whatever issues come out of this thought process. Keep asking the question until all the barriers are dealt with and then just make a start. If you don’t start within the next 5 days you probably won’t. If you do, increased cash flow, reduced risk, and the ability to fund your future growth are your rewards.

Call me if you would like help with this issue.

Cheers,

Bob Vander-Wal
Ph 0407 855227