

Northwest Business Institute
-Recession Tune-up-
February 11, 2009

At a recent meeting of the South Snohomish County Chamber of Commerce, Todd Brunner, President of Brunner Construction, told a gathering of business owners, "The current downturn is the fastest and deepest I have seen in the last three recessions." Todd summarized the feelings of many in the room that day who had been looking forward to continued growth in the Pacific Northwest.

Now, at the beginning of 2009, the group acknowledged opportunities have diminished, with many projects put on hold. Major disruptions have occurred in the financial system and a crisis in confidence has erupted. How does a business owner deal with such dramatic changes, changes that have occurred in only a few short months?

One technique is to critically review your business plan and expectations. To aid business owners, I recently developed a "Recession Tune-up" exercise for adapting to the new economic reality. The exercise is a series of thought-provoking questions to aid in preparing for and coping with the downturn.

First, consider the results from last year. Are you satisfied with what you achieved? What's working and what's not? Name your three top frustrations. These should be fixed right away. Also identify three victories from last year. Victories are those things done right, and they should be recognized and celebrated. Other items to check are:

- Key profit drivers (what makes the money?)
- Obstacles or constraints holding your company back
- Current strengths
- Current weaknesses

Next, ask: "What do I expect this year?" 2009 is particularly challenging, and large companies are struggling with forecasts. I ask clients to set sales and net income targets even when they are uncertain. Having something to shoot for is better than not taking aim. At a minimum, you must know where you are headed. Your employees need to know also if they are to follow.

Check to see who you are doing business with. Who are your best customers (most profitable, most stable or have potential)? What are your customers doing different now? Everyone is reacting to the economy and changing activities daily. You need to understand what they are doing now, to meet any changes in demand.

Be sure to check on your competitors? They are adjusting fast, to stabilize their own business. Reducing prices, increasing advertising, and other changes are happening rapidly. Their actions can take business away from you. Watch them closely.

Is your marketing still working? What are your primary marketing methods? Are you getting results? Are results what you expected? Changes may be related to the

economy, so don't throw your marketing out if you're not getting what you want. Instead, review and enhance what you are doing. Be willing to try something different to gain attention.

Is it time to make changes in staff? Letting employees go is one of the hardest tasks for a business owner. But it may be necessary to maintain balance in your company. Check your ratio of salaries to revenue. This is an important metric to manage. If it increases, salaries will take a higher percentage of each dollar of revenue, decreasing profit. Make plans now before you are forced to.

How well is your company executing on its mission. Are you exceeding customers' expectations? Gather input from them where you can. Let them tell you how you're doing. Make customers feel your products and services are still exceptional.

Is there adequate information to guide the business? Are you receiving monthly financial and operating reports? Are key performance indicators identified and monitored? Do you have adequate working capital to maintain operations? Now, more than ever, high-quality information is needed for good decision-making. You can't manage what you don't measure. And you must know what's most critical to measure.

Finally, build a contingency plan in case your forecast blows up. What will you do in a worst case scenario? What will it take to be a survivor? Identify the top five steps you will take and when.

A Recession Turn-Up is a quick, but serious review of your business operations when survival is a real issue. The Chamber will present a Recession Tune-Up workshop Feb. 18, 3-4:30 p.m., in the Chamber Board Room. Reserve your space now to learn how to conduct this exercise in your company and to receive additional ideas about to improve profitability.