Recession-Proofing Your Business

It's no secret that the U.S. economy is in a serious and potentially long-lasting recession. Failed financial and housing industries and escalating energy costs all play into our economic insecurities. Not surprisingly, the result is delayed project starts, slower paying customers, and tighter credit from your lender and your customer's. The first reaction by many has been to batten down the hatches and prepare for the worst. But is that the right approach for your firm?

The good news is that recessions are a logical phase in every business cycle - one that often follows a period of economic exuberance. Simply put, they are a natural reflection of the market to close one cycle before starting another. Instead of fearing recessions, businesses should actively position themselves to leverage the next logical step in the economic flow - innovation and company growth. This article offers seven ways to proactively move your organization into a position that will help you achieve higher levels of value.

1. Offering relevance
Do your products and services still make sense? Are your customers able to easily espouse your corporate value proposition, or have your offerings gone the way of the "wagon wheel" - those that are still useful but hardly effective in the new technological age? The reality is most businesses cling far too long to their treasured products and services, hoping that new pockets of customers can be found to revive ailing revenue achievements. The truth is, with revenues slowing down, businesses are in an ideal position to invest in simple forms of market research and predictive environmental analysis.

Predictive environmental analysis looks at economic factors that impact the strategic direction of a business. Your customer marketplace is always evolving - usually in response to economic factors. Where will your new customers come from? What products and services will be needed to satisfy your evolving marketplace? What will be the impact of alternative energy sources such as wind, solar, and hydro on your customers and your business? How can you get your offerings portfolio ready to meet the next business cycle? How can you take advantage of Green Strategies?

Many of the answers to these questions can be found by looking at the historical sales data stored in your MAS, Accpac or QuickBooks databases, by using advanced reporting and business insights tools available from DSD.

2. Asset usability and maximizing revenue
In periods of economic exuberance, businesses waste corporate resources. After all, when times are good, why should business owners be interested in squeezing a little more out of their asset pool? However, when a recession is looming and financials start tumbling downward, owners frantically seek to exploit hidden value from their organizations - often making the mistake of jettisoning assets that appear worthless. Although maximizing corporate value should be a full-time effort regardless of the business phase, it's only during recessionary periods that owners are motivated to take action.

The biggest mistake that businesses make when a recession hits is to fire trained employees on the last-in, first-out basis. Instead, take a critical look at your workforce. Do you have long-term employees that are, at best, marginal workers? Likewise, do you have some new employees that were hired during the last economic peak that show a great deal of promise but lack seasoning? Ask yourself the simple question: On which employees do you want to bank your next business cycle? DSD can help you train those most valuable assets to be top performers, in preparation for an upturn.

Under-performing-customers is another area that should be reviewed from an asset usability standpoint. Many businesses sell "one-off" offerings to their customer base - that is, they only sell a single item or service with no form of follow - on selling. What results is a large customer base that yields a relatively low revenue-per-customer metric (total firm revenue divided by the number of customers). The goal should be to mimic the largest customer in your firm - where all customers attain the same revenue figure as your largest customer. High quality Customer Relationship Management (CRM) software is invaluable in maximizing your sales to your existing customers. DSD has three of the very best CRM packages available.

Your website may possibly be the single most important asset you own. Its performance on the popular search engine rankings, its usability by visitors, and its marketing content may be holding you back. Have DSD's world-class Internet Services staff assist you in fine-tuning your website, and in designing it to take sales away from your competitors and steer them in your direction.

Eliminating waste is also key in maximizing your use of your assets. Ask us how DSD can help you convert to a paperless office.

3. A time to buy
Recessions create wonderful opportunities to buy undervalued businesses. Debt-wary business owners are often stuck between declaring bankruptcy or finding a suitable buyout partner. Like well-groomed vultures, investors carefully pick at folding business carcasses - looking for any morsel that can be had for a song. Low-cost growth - the result of buying undervalued assets - is a legitimate and attractive business growth strategy.

The practice of selling off distressed businesses has become so prevalent that a number of "cottage" industries have been created. Internet and live auctions of business "lots" have exposed larger populations to potential assets and, at the same time, increased the value of each "lot" sale. Realtors have started "bus tours" of foreclosed properties in hopes of reviving an ailing housing market. If growth continues to be your business objective, recessions provide a ready market for fueling your next evolutionary cycle.

4. Non-core distractions
In periods of economic slowdown, owners spend an inordinate amount of time "trying to optimize" the sales, marketing, finance, and administrative activities - an effort more akin to reshuffling deck chairs on a sinking ship. It's a nonproductive use of time as these functions are non-core activities, which have little (if any) impact on overall company value. Instead, resources should be expended on refining the core functions of the business: operations and delivery. These are the real value and differentiation that set your business apart from its competitors.

DSD can assist you in acquiring add-on software for your existing accounting or ERP system that will help you minimize your inventory and carrying costs, and maximize your efficiency. Ask us about warehouse management and automation, bar coding, remote access, and RFID.

5. Reinvesting in your short-term future
No, this is not the time to buy any long-term assets like new office furniture or service trucks. However, with lower levels of employee productivity, it may make sense to upgrade the skills of your workforce. Most business owners can rationalize the value of employee training but are hesitant to take them away from revenue-generating activities in periods of high productivity. Now, as customer markets cool, employees are looking for ways to increase their value to your business.

Employee training can take many forms - although technology training appears to generate the most valuable return. Whether it's learning how to master new products in your industry or interacting with new computer applications, the ability to keep employees abreast of industry changes only increases their value once the recessionary period passes.

Training also serves another purpose. It takes the employees' mind off the recession and settles their fears of losing their jobs. Skittish employees will often jump to a competitive firm in hopes of retaining a paycheck - taking with them both corporate knowledge and, in some cases, customers. Employees that see their employer actively increasing their value to the market are less likely to leave - feeling a moral indebtedness to their employer.

Ask us about our convenient and affordable training classes.

6. Resolve the need vs. want argument
When an employee enters my office with a purchase request, the immediate argument in my head is whether this purchase solves a need or a want. In simple terms, a "need" is an item that will increase the productivity and revenues (or profits) immediately and has an established return on investment that can be measured. Conversely, a "want" often replaces an existing item that has grown out-of-favor due to style or age. I will always listen to a "need" argument and very quickly silence a "want" discussion.

Recessions have a way of moving the demarcation line between need and want. Although your business may want new computers, the reality is that your current technological setup, though aged, will certainly do the job until the recession breaks. Technology represents a long-term asset - a purchase that has a professed useful life of at least three years. But here's an interesting fact - even though the technology experts will tell you it is prudent to replace your

computers every three years, most firms are able to effectively conduct business on the same technology platforms for five to seven years. Therefore, technology purchases are rarely a "need."

Let DSD's award-winning IT professionals assist you in making the most out of your existing equipment. Our staff can even install predictive software that will tell you that a device in your system is likely to fail in the near future.

7. Take your vacation now

Believe it or not, recessions provide the best time for business owners to take a vacation. In periods of economic downturn, where you do not have any ability to change the business cycle, sometimes the best advice is to recharge your batteries. There is nothing you can do to speed up a recession. The best you can do is to be effectively positioned when the recession ends - and being well-rested is a big piece of your future success.

Think back for a moment. When was the last time you took a vacation? Like most business owners, peak periods of activity necessitate you being fully engaged in every business decision. Did you take a vacation during your last busy period? Doubtful. So, when will you be able to refresh your outlook, enjoying the benefits of owning your own firm?

After running my own firm for years, I have learned that business cycles are predictable and should be leveraged for the value you can obtain during each phase. Recessions, a natural part of every business cycle, provide a respite for every weary owner. Missing the chance to recharge your batteries puts you in a deficit position when the next cycle starts.

Recessions are periods of company rebirth. Although many owners flounder while seeking resolution, it's the prudent owner who realizes recessions are part of every economic cycle and an opportunity to reestablish one's firm in a new competitive light. Focus on predicting your next market demand and position your firm to reap the benefits of the next upward economic swing. By following the advice we've given you, your competitors will dwindle while you consolidate and even thrive. You will be better prepared to take advantage of existing opportunities, and you'll be well-positioned to take more than your share of the market. Let DSD partner with you in this effort.