



THE ALTERNATIVE BOARD®

Change Perspective. Improve Business. Enjoy Life.

Prospering In Challenging Times

Most small businesses have a small market share. If you can effect a minimal shift in market share, expand slightly when your competitors are contracting, or even maintain a steady level where others are dropping, you can emerge from a difficult economy not only stronger, but poised for breakthrough growth.

Here are some ideas, tactics and techniques to help you outrun a bear market. Remember, you don't have to be faster than the bear, just faster than the other guy.

Managing Your Decisions

1. Always remember that your primary duty is to maintain a viable, profitable business. Ruining the company in an attempt to "save" jobs is short sighted, and is unfair to those people who could have been employed if you had the courage to make the necessary decisions.
2. You can only deal with what is in your control. Don't waste time watching things that you can't affect.
3. Keep your long term vision in mind. Avoid actions that will make your business into something you wouldn't want to own in better times.
4. Make decisions based only on data. Rumors are not a basis for decision making.
5. Meet monthly with a group of people who can give you market intelligence and critique your decisions
6. Stay positive, but don't base decisions on hope. Many businesses have gone too deeply into the hole waiting for the next big order or the next good month.
7. Reduce your business planning window to six months at a time
8. Have clear metrics for performance, and stick to them
9. Determine what your Strategic Driving Force is.
 - a. If it is your customer relationships, find additional revenue streams to offer to those customers
 - b. If it is a product orientation, find new customers to sell to
10. Invite your employees into the decision process for cost cutting. Offer incentives for their ideas.

Managing Sales

11. Contact every customer who has done business in the last 2 years to determine their satisfaction. The competition will be chasing them.
12. Negotiate advertising costs aggressively. Most media suffer quickly in any downturn.
13. Use web, email and video technology to replace travel and increase your reach

14. Create an electronic newsletter with positive news about your industry and company.
15. Review each customer; can you increase your business with that customer by increasing either the frequency of purchase or their average purchase?
16. Sales plan each customer by analyzing what they buy, and what they don't buy from you. Develop a strategy to broaden the items or services they purchase.
17. Avoid advertising discounts, unless it's to gain new business. Smart customers won't buy what they don't need, and will often ask for the lower price when they are ready to buy.
18. Consider introductory offers that do not apply to current customers.
19. Make your marketing outlets prove their value. Track the effectiveness of every marketing dollar.
20. Independent sales reps may also be seeking new revenues. Consider expanding your geographic reach with commission-only reps.
21. Restructure commissions to incent new business over repeat business
22. Reduce entertainment expenses with group functions rather than one-on-ones. Use these to introduce customers to each other for possible business relationships. Ask your vendors to assist with the expenses.
23. Entertain on an event-by-event basis. Reduce sponsorships and tables at events.
24. Cancel monthly club memberships

Managing Employees

25. Increase the information you share with key employees, and get their input on actions
26. Evaluate employee requirements in light of current sales. If jobs were split as revenues increased, can they be recombined?
27. Maintain labor as a percentage of sales comparable to previous periods.
28. Reorganize with every termination, whether voluntary or involuntary. Consider reallocating duties each time.
29. If you need to recruit, don't retain head hunters until you have tested the employee market.
30. Use video to interview prospective employees who are distant, rather than fly them to meet with you.
31. Outside trainers may have been hired because your personnel didn't have the time. Check to see if training needs can now be met in-house.
32. If you must reduce staff, don't use half measures. It's best to cut everyone you even *think* you might need to let go all at the same time. It's much more difficult to keep your best employees through repeated downsizings.
33. Trim staff by a monetary, not a head count target. Managers will typically "downsize by 20%" by cutting the 1/5 of their employees who are the least experienced and least expensive.
34. Seniority is not a legal or moral obligation in making staffing decisions. Keep the best, they have earned it.
35. Do not cut staff according to salary, unless you can clearly identify overpaid employees.
36. If you have to layoff good staff, keep former employees in mind for rehire. Even if they have found other jobs, they may wish to return.
37. Consider pain-sharing; reduced hours, job-sharing, rotating furloughs or widespread pay reductions to keep more employees.
38. Some states offer partial unemployment benefits to workers whose hours have been cut by 20% or more.
39. In lieu of a cost of living increase, consider granting more paid time off. (especially if you employees are underutilized)

40. In a very small company, consider asking employees to donate vacation time to help keep one or two people through a slow time.
41. Continue or increase training, especially in customer contact positions.
42. When replacing personnel, look for experienced candidates, and screen more carefully
43. Spend the extra money for background checks and testing of new hires. Remember, other companies are shedding their problem employees first.

Managing Inventory

44. Look for slow moving items and turn them into cash, at deep discount if necessary.
45. Buy bargains and use them for leaders into new accounts
46. Calculate Gross Profit Return on Assets for each item or line. ($\% \text{Gross Profit} \times \$\text{inventory} \times \text{annual turns}$). Set a minimum performance level.
47. Tell vendors who don't meet GPROI what they need to do to be retained.
48. Review your shipping policies. Increase your minimum freight-paid order to reduce expenses, reduce it to find new customers.
49. Avoid overdependence on one vendor. Have alternate sources of supply for all fast moving items, and price them competitively on every purchase.

Managing Cash Flow

50. Never, ever borrow to cover losses. Using savings or a credit line to subsidize losing operations just compounds the problem, and lengthens the time to return to profitability.
51. Maintain a 90 day cash flow projection, updated monthly
52. Cash is king. Hoard cash whenever possible to negotiate better deals with struggling vendors.
53. Evaluate receivables monthly. Do an account-by-account analysis of every bill past due.
54. Be prepared to cut off slow payers, but first offer to work with them on payment terms.
55. If a delinquent account fails to meet payment terms, cut them off. If they are stalling, they will learn that you have clear limits. If they are not stalling, and simply can't pay, you will save yourself the expense of more bad debts.
56. Review your Chart of Accounts line-by-line. Determine whether each item within that category is discretionary or mandatory. Assign an employee to each area for review and recommendations.
57. If you place a customer on COD, require partial payment on the past balance with every order.
58. Collect through Small Claims Court whenever possible. If possible, forgive or credit part of an account to bring the balance within Small Claims limits.
59. If you no longer sign checks, take the task back for 60 days. You may be surprised at what you learn.
60. Consider bartering to conserve cash

Managing Finances

61. Increase your line of credit if you are able
62. Open a second line of credit at another bank.
63. Manage your Current Ratio. Stay as liquid as possible.
64. Consider operating leases if you have traditionally purchased equipment. If you customarily lease, consider purchasing. Do the math.
65. Hold on necessary capital expenditures until a slower season. Personal computers, for example,

- typically drop in price after Christmas.
66. Do comprehensive credit checks on all new customers. When you are chasing sales, it's easier for a deadbeat to take advantage.
 67. Recalculate your break even point with every new hire or expense.
 68. Use common size analysis (percentage of sales statements) to spot expense trends.
 69. Maintain expenses as a percentage of sales. Look at sales and projected sales at mid-month to see of expenses need to be addressed.
 70. Talk to your bankers. Give them forecasts. They are much more likely to support you if they know what is coming.

Managing General Expenses

71. Shift from mail to emailed bills and statements
72. Review your insurance policy. Many of us add riders that cost little individually, but cover remote risks. Are they necessary?
73. Increase deductibles to the maximum you can afford to cover.
74. Cost-share health insurance with your employees
75. Review your cellular service for reduced needs or greater flexibility.
76. Centralize office supply purchasing and storage. Forbid individual hoarding.
77. Change sales people and conference attendees to per diems for travel, rather than expense accounts.
78. Reduce mileage reimbursement levels.
79. Create a culture of frugality. Reuse paper clips, rubber bands, and old copies for scratch paper.
80. Delay IT purchases by 6 months. Consider buying used software licenses.
81. Change free coffee and soft drinks to vending machines
82. Consider subleasing unneeded office or warehouse space.