

**Management**

# 10 steps to energize your business and thrive in 2010

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Yesterday, stung by the recession, thoughts had been about protecting business assets and survival. After a tough two years of hanging on, as a business owner, your thoughts now shouldn't just be about "hanging on" and waiting for things to change. Business owners must understand the environment they face and be prepared for the magnitude of potential political and economic changes they may face. Growth and success is possible, but businesses should plan on an extended period of slow growth.

## Step 1 The need for planning

The new economic outlook has emphasized the need for planning. Every business must have a strategic plan, which allows the business and business owner to grow and become more profitable, builds business value, maximizes their financial payday and protects and accumulates wealth.

## Step 2 Change in mindset

Why are you in business? For growth, to build value that you can later cash out? Or for lifestyle? Your answer to these questions will determine how you should conduct and plan your business life going forward.

The following strategic thinking creates wealth:

- Change from an owner to an investor mindset
- Change from being activity-based to being strategic-based
- Challenge 'the old ways' of running things. Look to the 'New Economy' and the 'New Frugal Consumer'

## Step 3 Begin with the end in mind

What's needed from the business to live the lifestyle of your choosing? You must consider both the requirements on exit to fund your post transaction needs along with your current income being generated. From that analysis, you may discover that you need to:

- Increase your current income stream for current needs and/or
- Increase your income stream to help fund retirement lifestyle objectives and/or
- Increase business value to cash out upon exit

## Step 4 Re-energize the business

This critical step is about re-energizing yourself, re-energizing and aligning your team and strengthening your team. Energizing and aligning your team is important in light of the myriad challenges faced in the recent past, including termination/layoffs, furloughs, decrease of hours, salary decreases, salary freezes, benefit reductions, shrinking budgets, demoralizing news and demoralizing customers.

It is a great opportunity to strengthen your team, by getting the right people that will help shape the company's future. There is currently a large pool of highly skilled and well-trained workers looking for employment.

## Step 5 Stabilize the business

It is critical to first identify customers at risk. You must ramp up communication, meet with them, resolve issues/concerns, flatter them with attention, and continually monitor performance by asking for feedback.

Focus on gross margins by addressing major gross margin problems that are chewing up cash, and review and eliminate product lines/services with

losses or low margins.

Address expenses by reviewing employee costs to match current sales activity along with future growth plans, and eliminating unnecessary costs. Revenue is vanity, profit is sanity, cash is king. Lastly:

- Monitor your cash position and requirements on a regular basis
- Create and maximize your cash
- Carefully plan new product or service offerings that will tie up and consume cash
- Carefully plan business expansion strategies that will tie up and consume cash

## Step 6 Revisit your value proposition

Do you know why your customers buy from you? The recession has changed buying habits. Has your value proposition changed, or are you still embracing your value formula based on the old economy? If it has changed over the last two years, is it still meeting your customer's needs, and is it powerful enough to help fuel your growth strategies?

Changing your value proposition to meet new spending attitudes includes emphasizing price, emphasizing value, emphasizing the personal touch, shrinking sizes as a lower-cost alternative, offering financing and bundling products.

## Step 7 SWOT analysis

Understand your strengths, weaknesses, opportunities and threats. Leverage internal strengths to pursue external opportunities. Counter weaknesses and threats (both internal and external factors that undermine successful strategy execution.

Analysis reveals issues that the strategy should address as to the best role for new products and services, whether new partners need to 'be acquired,' what new market segments the company might enter; and whether customer segments are contracting.

## Step 8 Strategic growth analysis

Carefully consider your growth investment strategies:

- **Increase market share** by taking advantage of competitor's cut-backs/economic weaknesses;
- **Enter new markets** where weakened competitors are;
- **Seek M&A opportunities** for bargain basement opportunities

## Step 9 Work the four ways to grow your business organically

The four ways to grow your business include:

1. Increasing the number of new customers.
2. Increasing the number of times they come back.
3. Increasing the average transaction value.
4. Increasing the effectiveness of each process.

The power of synergy means that rather than simply viewing sales revenue as a single line item, you view the compound effectiveness of the whole. The four ways give you better insight into where the potential lies by breaking it down into where sales come from. The four ways work best when used together – the whole is greater than the sum of its parts. Focusing on just one could mean you miss opportunities for greater profit.

**Increasing the number of new customers:** Make it easy to buy, empathize, reassure, and set up an annual promotion schedule to maintain consistent and constant activity.

Some suggested promotional activities:

- Create a preferred system
- Use social media
- Use a website
- Hold a special event
- Network
- Join forces with a non-competing business
- Establish host relationships

**Increasing the number of times they come back:** Increasing the number of times your customers buy from you is vital to the long-term health of your business. It costs six times more to win a new customer than it does to get an existing customer to purchase again. Instead of spending more on cold canvassing, use your already proven list of previous customers to build repeat sales. Provide awesome service – do what you do and do it extremely well.

**Increasing your average sale:** Strategies you can use to increase your average transaction value include cross selling, upselling, bundling and smart merchandising. Develop a sales system that includes these strategies to ensure consistency among team members

**Increasing process effectiveness:** Strategies include working on the business, management by objectives, systemizing processes, and building a team.

## Step 10 External growth

To facilitate external growth, consider joint ventures – strategic alliances where two or more people or companies agree to contribute goods, services and/or capital to a common commercial enterprise; horizontal integration – M&A of firms offering similar products and services; or vertical integration – extending a firm's competitive scope within the same industry, backward into sources of supply or forward toward end-users of the final product.

We are truly in a global economy – for the first time in history, everyone has access to the world's commercial resources. Leverage cost-efficient marketing (social community networking/trade associations), leverage intellectual capital and leverage core competencies through scalable business models. Look at your business on this macro basis and you might find opportunities greater than you previously thought possible. ■

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