Growth Resources

Business Results & Personal Development for CEOs & Executives

Best Practices
For The Best Of Times

A survey of 60 CEOs and Key Executives of Private Small to Mid-sized Businesses

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As a chairman of four groups of Vistage International member executives, I am always gathering information on the state of the business economy through the eyes of my members.

During the late fall of 2006, information began emerging suggesting a potential business cycle downturn in mid-2008. The information concerned me and I felt it was important to address this issue with my Vistage members to get them prepared. Vistage is the world's largest CEO member organization (nearly 14,000 members) designed to provide education, community, and knowledge sharing to CEOs, business owners, and key executives from small to mid-sized businesses.

I discussed this issue with nearly 60 CEOs and the intent of the conversation was to define any defensive actions needed to survive the impending downturn. I felt that my Vistage members should be addressing and building these defensive actions into their 2007 business plans now. I hoped the exercise would generate a RoadMap on how to manage a business during difficult times.

But the results of the discussion were a surprise to me. A full third of my members experienced no negative impact during the last recession from 2001-2004. In fact, most of this special group of members prospered during this turbulent period. How could that be since the other two thirds of my members experienced various and sometimes severe negative impact?

For example, here's how the last economic downturn impacted some of our members negatively. You may have seen similar symptoms in your business.

New business opportunities dried up resulting in:

- Focus shifted from revenue growth to cost reduction or new revenue strategies
- Focus became very local and business was very competitive
- Business nosed dived at least 15-20% in revenue and gross margin
- Travel slowed down
- Some experienced 50-60% losses
- Investments were curtailed since there were no dollars available for new ventures and products

Companies had to drop or change business strategies:

- Relocations made prior to the recession negatively impacted overhead
- Multiple layoffs occurred
- Motivated to move to off-shore sourcing
- Outsourcing became popular again

The Market Changed, Making Business More Difficult

- ESOP values decreased

- Collecting account receivable became challenging and a negotiating point along with downward pressure on prices
- Buyers became much more sophisticated, putting pressure on companies to meet demands
- Life went on but anxiety grew
- Marketing support services nose-dived since clients cut their marketing budgets

There were some positives during the last economic recession that the group pointed to as opportunities.

- Opportunities emerged to gain market share and conduct significant deals
- The insurance businesses soared
- Good people became available at reasonable costs
- Healthcare business and costs were unaffected, which was a relief to many small and mid-sized businesses.

During the forum discussion, we asked the leaders of the companies who had prospered how they shored up their companies to weather the recession. No one wanted to experience the list of negative impacts again.

Surprisingly, the members who experienced no ill effects answered that they did NOTHING different. The overwhelming result of the forum discussion was that sustained business success resulted from managing according to certain best practices. Always. In fact, it was even more important to manage according to best practices during the best of times. The group agreed that when a business is prospering and cash is relatively plentiful, business owners tend to make mistakes, ignore certain corrective actions, and become complacent. It's easy to follow the "Don't rock the boat" or "Don't fix it if it ain't broke" mentality when things are going well.

Once the group came to this conclusion, the discussion focused on creating a list of best practices that CEOs, business owners, and executives needed to focus on to continuously drive growth. I share that list with you here in the hopes that your business can prosper from the advice of my Vistage members.

LEADERSHIP

1. **Never lie to yourself: Use a reality mirror and be humble:** Great entrepreneurs have made many mistakes and learned, as a result, how to avoid the ego impact of their business – most of the time.
2. **Always lead with intention – with purpose and direction:** Good staff members will quickly see when their boss has lost sight of the future.
3. **Conduct regular scenario planning to stay ahead of any game**: Use “best case,” “worst case,” and “expected case” and then have “plan B.”
4. **Invest in galvanizing your culture:** Everybody on the right seat on the right bus means speed and fuel efficiency.

5. **Be good to yourself:** Build a great team and let them do their job.
6. **Always be mindful of your free time:** Build a really great staff and let them do your job . . . and remember your family!

GROWTH STRATEGY

7. **Be faster in everything you do:** Speed in business allows you to take advantage of market opportunities before the competition. Evaluate your business processes and get faster.
8. **Focus on margins versus revenue** – gear up marketing and sales for target products/services that contribute most to your bottom line: Analyze your product/ service offerings to see which offer you the highest margin. Drive your salespeople to sell more of these.
9. **Stay in touch with your markets to unearth new opportunities** – look for diverse revenue streams that even out any seasonal cycles: Ask your key customers what they need that isn't being fulfilled. Evaluate the ideas based on leveling out your cash flow. Fill these needs for your customers and reap the benefits.
10. **Keep sales people aggressive:** Don't let your sales people get complacent. Give them stretch goals and most importantly don't compensate them to do A when you really wanted B.
11. **Invest in your brand equity, always:** Your brand is the face of your business strategy. Make sure people see that face that way you want them to see it. A clear brand gives your employees focus, helps you find the right customers, and makes the sales process easier.
12. **Maximize technology for productivity:** Diagram your business processes. Where could technology speed up or better control the process? Invest in the technology to improve your business output.
13. **Help customers to help themselves:** Your customers will value a supplier that puts efficiency tools in their hands, like online ordering. Improve their business and your insight and relationship will be rewarded.

FINANCIAL STRENGTH

14. **Look at your inventory as "cash":** Slow moving inventory costs you money and has a high opportunity cost. Evaluate your inventory and identify the items that don't move as quickly. Is there a strategic reason to keep them? If not, get rid of them.
15. **Buy well and negotiate supply contracts with fewer suppliers to maximize your purchasing power:** Be treated like a big fish. Consolidate your spending with fewer suppliers to take advantage of volume pricing opportunities to cut costs and improve margins.
16. **Lower your breakeven point – not increase it:** Cost cutting should be a constant exercise. The lower your breakeven point, the more strategic options you have for besting your competition.
17. **Do not invest in expensive space:** This uses cash in a way that does not add value to the bottom line. It puts self-made pressure on the

business to cover the expensive cost. It often sends the wrong message to clients, as well.

18. **Outsource all non-essential functions – keep them variable costs:** Focus your time and investment on your core strengths and use the opportunity to evaluate vendors who provide you the most value for your money.
19. **Always lower your costs – avoid expensive, long-term fixed costs**: Constantly look for ways to cut costs and improve margin. Long-term fixed costs don't allow you to take advantage of market fluctuations, leaving you behind your competitors.
20. **Set up good lines of credit with your banks:** It is easier to ask for money now when you don't need it. Create a relationship with your banker and get your bank invested in your success.

HUMAN CAPITAL

21. **Clean out deadwood** – under performing products, services, people, processes, and all your "c" customers: Spend your time and money where it will make the most difference for your business. Under performers are garbage cans for your cash.
22. **Measure all areas of performance and enforce standards** – define scorecards for every department – increase your expectations: People need clear direction and something to strive for. Be fair in the way you deal with people by clearly articulating and measuring performance success.
23. **Identify positions and skills you cannot afford to loose – ever:** Manage these people and skills as if your business depends on it … it does. Have a back-up plan in place, especially when times are good. That is when people get poached from your company.
24. **Identify your top performers and manage them well:** As in Break All the Rules, spend more time with the people who make your business succeed. Give them clear direction and reward their contribution to the business. This is an investment you can't afford not to make.
25. **Avoid bad hires like the plague:** Nothing disrupts your company more than bad hires. If a hire isn't working, cut the cord and keep looking. Bad hires waste time and de-motivate better performers.

If you have any questions about this article or you would like information on Vistage International, the world's largest CEO organization, contact me at your convenience:

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