Managing the Business in Good Times and Bad: Is There a Difference?

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It helps to recognize early that life and business tend to move along in the form of a sine wave. Over time, there are peaks and valleys. Count on it. With that in mind, how can a business best be managed through the ups and downs?

KNOW YOUR DATA

Focus on continually having timely, accurate data about your business, keeping in mind that the economy will clearly influence this. All companies should review their metrics and trends on at least a monthly basis. A good monthly closing of the books is critical, but that's just the beginning. The resulting data should be strategically analyzed on a timely basis, and key performance indicators should be tracked. For instance, if there is "creep" in the gross profit percentage, is it because something in the company's operation has changed or are external forces at work (or both)? If the latter is true, it could be an indicator that the company is facing the down side of the sine wave. This information can prove to be invaluable. The earlier that management can be alerted to an imminent change in conditions, the less likely it is that the company will suffer significantly.

BE PROACTIVE

With the sine wave in mind, it is clear that constant, proactive planning is a strategic advantage. In good times, there is an opportunity to realize profit. Be conscious of the opportunity to build company net worth and cash reserves. A budgeting process should include provisions for this. Have a specific target for the amount of after-tax dollars that should be left in the company. When times and cash flow get tougher, the company will be in a position to retain great people, maintain culture and continue to separate itself from other industry competitors.

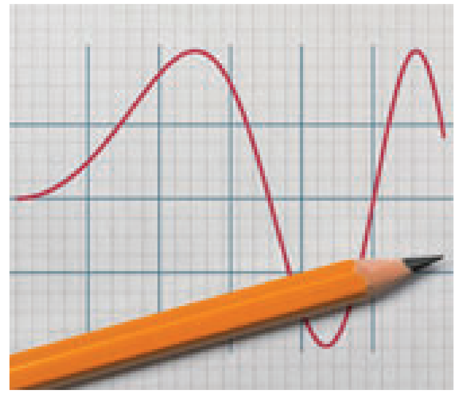
Create a "plan B." The time to consider your alternatives is when things are going in the company's favor. Give some thought to these "what-ifs" now. The team should take its time and have a thorough and honest discussion. Address how the company might do more with less, how assets could be leveraged in a different way, and assure the team that thought is being put into the company's (and hence their) future.

Cash flow planning should be continually updated. When times are good, arrange for a business line of credit at the bank, as the company is more likely to get a positive response to that request when the economy is good and the company is doing well. Be sure that collections procedures are tight. Have an organized, consistent process so that the company will not be on the bottom of its customers' payment list. Finally, consider having some alternate sources of capital if the need arises. This may well be in the form of personal capital that is contributed to the business when cash is less abundant.

DEVELOP BEST PRACTICES

Here is a final thought that perhaps relates to the title of this article (is there really a difference?). Consider that the same behaviors should be performed at all points on the wave. A company with an overall strong business model and culture will tend to be relatively prosperous in good times and bad. Here are some best practices to consider:

- **Recruit 24/7.** A company will always need to find great people.
- **Maintain a strong culture.** This will not only attract great people, but will help retain them. If times are tough, some of the points discussed above (e.g., planning and culture) will aid in staff retention.
- **Always be sales focused.** A company with a great value proposition and extraordinary talent that does not have a strong sales process will ultimately struggle, especially when external forces are working against it. When the economy begins to slow, the advantage will go to those companies that are ahead of the curve with respect to sales processes. Keep those processes sharp, creative and consistent.
- **Continually innovate.** This will differentiate one company from another.



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