

Critical Strategies in times of Economic Uncertainty

By Bob Thilmont, President of Mountain Global Inc.

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As we move towards the holidays and look ahead to 2009, we as individuals, business owners and a nation are facing enormous economic challenges that haven't been seen in decades. I want to share some critical strategies that can help in dealing with these uncertain times.

The business model and strategies that have worked in the past will not necessarily work in the new economic realities. Here are some strategies you should be implementing:

1. Managing Cash Flow

The headline on the latest edition of the Economist reads: *"All you need is cash"*. Every business should be managing cash flow on a daily basis. This is critical for a couple of reasons. First of all, many banks have stopped or significantly slowed the credit they extend to small businesses. So the ability of small businesses to float the "Days of Sales Outstanding" (DSO) has been severely limited. Work with your clients to understand their business situation. Will they be able to pay for your products and services in a timely manner? What incentives can you offer to have them pay earlier or even prepay?

Secondly, banks and other financial institutions are reevaluating the credit worthiness of not only individuals but businesses too. Try to work with your suppliers if you are having trouble paying your purchase orders in a timely manner. They want long term clients, so if you are open and honest about your financial situation they should be willing to work with you to not only maintain the relationship but to preserve your credit rating as well. With commodity prices falling this may be an opportunity to renegotiate existing contracts to take advantage of these price drops as well.

2. Revisit your Vision

When times get tough people tend to look into the mirror and ask: who am I and what do I want to be before taking action to move forward. The same should be true of your business. Is your Vision valid in the current economy? Will the Products and Services you sell today meet the market needs going forward? Does your business model fit the new economy?

Remember, your Vision should be driving the business strategy. So if the Vision is no longer relevant just imagine the relevance of your strategy!

3. Now is the time to increase Marketing and Sales efforts

Recently, the Rocky Mountain News had an article on how Colorado Businesses are cutting back on expenses. They ranged across the board. However, what was disturbing was how many of these companies were arbitrarily cutting back on marketing activities. As I said earlier, managing cash flow is critical but how you manage it is important as well. In other words cutting Marketing and Sales activities could have a negative long term impact on your business. Keep in mind, there are still a lot of individuals and businesses with cash that will still continue to buy in these difficult times.



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The key is to be strategic and prudent in your Marketing and Sales activities. If your sales model is based on tactics versus relationships then this may be difficult for you. Businesses with strong client relationships tend to do better in down turns. These businesses understand and know their clients. They provide their clients with solutions versus products and services. So they can look at their client's needs and package a solution of their products and services to meet that need. In addition, they can anticipate their clients future needs and prepare for new solutions down the road.

4. Understanding the “Value” of your products and services in the market

Value Proposition is often misused and misunderstood. Yet it is critical to understand this in the current economy. There are two things to understand in determining the value your business brings to the market. The first is; why do your clients buy from you? I am amazed at how many businesses cannot tell me why their clients buy from them. Most of them say they have a superior product. Here's a hint, it usually is not the product!

Let me give you an example. A couple of weeks ago I was looking to buy a new set of tires for my car. Everything being equal I settled on a new set of Michelin tires. There were two chains locally that offered these tires. I went on both stores websites. The first showed Michelin tires on their site but said I needed to call the store for a quote. So I did. However when I called the receptionist put me on hold and promptly dropped my call. So I went on the second store's website. They too had the tires I wanted along with the price. In fact, they allowed me to draft a purchase order which not only gave me a total price but verified the tires were in stock and allowed me to set the time to drop off the vehicle the next day. Now guess what store I went to buy the tires!

The key take away experience was not the product but the solution. Both stores offered the same tires but the second store offered enhanced “value” by allowing me to draft my own order.

The second item is how do you market your value to your clients? Do your clients easily understand what you do for them? In other words, does your brand equal value to your clients?

A couple of weeks ago, I convinced one of my clients to exhibit at an Inventor's Showcase in Denver. This was an opportunity for businesses to show off their innovations to potential partners and venture capitalists. I knew my client had a good technology but better yet they had a clear vision of their business model and how they planned to succeed in the market. They won the Best Commercial Product category at the event. While helping in their booth I suggested to my client to visit other booths at the show and see on first impression if they could determine what was the “value proposition” of the innovation being showcased. There were over 30 booths, yet we could only identify a handful of booths that had clearly defined value propositions. Now imagine these businesses trying to sell in this economy. What do you think their probability of success will be?

Think of your website as a trade show booth. What impressions do your potential clients get when they visit it? Do you make it easy for them to purchase from you? Can they relate to your “value” on first impression?

5. Collaboration is in, Competition is out!

In difficult times competitors become collaborators. Look at the recent Congressional hearings with the Big three Auto Executives! How often do you see the CEO's of the Big Three Auto Makers sitting at the same table singing the same hymn. This obviously is the extreme. However, there may be opportunities to collaborate with individuals or businesses that in the past were your competitors. This could range in strengthening your sales channels, sharing manufacturing or collaborating on new product development.

2824 Zendt Drive · Fort Collins, CO 80526 · Tel: 970 310 3960 · Fax: 970 207 0096

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Another area is to look at what is core to your business. We all have core competencies. However, only your unique core competencies should be considered as sacred cows in your business model. Look to collaborate in order to help control your cost. Do you need an internal HR team when you can utilize an outsource HR firm? Can you collaborate with service providers for sales and marketing support? Can you out source basic services?

6. Structuring your business model accordingly

As I mentioned above, you need a lean business model moving forward. Define the critical resources you need in your organization and then look at alternatives for all non critically related resources. Many companies supplement their employees with temporary or outside resources. Yet in downturn these are the first to be cut. The new economy will drive businesses to have fewer full time employees and use outside resources to balance the demand on the business. The brutal reality is: Only employee people who contribute to your unique core competencies.

Any individual on your payroll today should have specific benchmarks to measure their contribution to the company's success. Are they good at cross training other team members or do they keep their knowledge to themselves? Remember in this environment you need people who collaborate and are flexible not people who carve their special niche.

7. Turning Challenges into Opportunities!

In my earlier career I used to work in Service Engineering. I remember one of our managers saying every time we had a product crises: *"We have an opportunity!"* This is true today. The challenges we have today offer all businesses with an opportunity to refocus and become stronger.

Involve your workers in the process. They see the business differently than you and can provide valuable input on to how to maneuver moving forward.

8. Be Happy or at least Optimistic!

Finally, your attitude is critical to the success of your business. How you project your emotions has a profound impact on your workers and the direction of the company. People want to work with a confident management team even though times might be tough. Be honest with them but project a vision of how the company will survive the current economic turmoil.

A positive attitude can go along way in keeping the organization together! Look for little successes. Celebrate them! As the old song goes *"Don't worry be happy!"*

Until next time,

Bob

Mountain Global Inc. provides Business Development support to small and midsize businesses in the area of: Marketing, Sales Channel development, pricing, Strategy development and execution and Executive Coaching. You can reach Bob at bthilmont@mountainglobal.biz.

2824 Zendt Drive · Fort Collins, CO 80526 · Tel: 970 310 3960 · Fax: 970 207 0096

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