

## Tight Times: Don't Let a Crisis Go To Waste

"Have we reached the bottom of the Great Recession?" It's a question that can't be answered yet. The end of the downturn, like its start, won't be recognizable until after it arrives.

And while it's tempting to play the guessing game, it's better to act, to take steps toward not only surviving the slump but also strengthening and toning in preparation for the recovery. In fact, the recession makes it possible to take actions that can be more difficult to take during good times.

### Upgrade the Workforce

During a tight economy, employers gain a certain leverage they don't have in a boom. Here's one way to look at it: You can always conduct performance reviews, but you can't always act on them. Today's job market, however, makes it easier to replace underperformers.

The hiring pool includes not just individuals without jobs, but also those still working. Are any of your competitors in trouble? If so, you can bet their employees know about it. Is one of them a good fit for you? If downsizing becomes inevitable, somebody's got to go. Everyone is better served if you make those hard decisions in advance, based on the business case, rather than at the last minute, when emotions can cloud judgment.

It's also a good time to straighten up non-compete agreements, which can be hard to sell when your top engineers can walk out on Friday and be working somewhere else on Monday. Nowadays, though, employees are more willing to sign reasonable non-compete pacts.

Don't stop short of the top floor. Of course, you shouldn't reorganize a management team for the sake of change. But it's worth looking for efficiencies. Can you take hold of your compensation strategy to align key leaders?

Finally, look at pensions and profit-sharing plans. If sacrifices are needed, make sure they are shared equitably. And even union agreements can be reopened.

### Hungry Suppliers

Now is the time to reduce your dependencies on certain suppliers and seek better deals. They're being squeezed too, and your business is valuable to them.

Look around. Identify alternative vendors, beginning with your most critical inputs — those that can stop a line if they show up late. Get to know prospective suppliers. Take them to lunch. Draw up RFQs that ask for the moon — or at least a better deal than you're getting. Talk to visiting vendors, too, and look for efficiencies and opportunities to tighten up their pricing. You may be able to negotiate much more favorable contracts with long-term protections.

### Improve Operations

Nobody wants downtime, but there can be value in it. Use the opportunity to reorganize your company's workflow. Go over each position and every responsibility, and restructure wherever it makes sense. Change rules that need changing.

Review new technology. It's a rare plant or warehouse that can't achieve greater efficiencies and higher quality with new and better tools.

Tighten up your intellectual property (IP) protections. In flush times, it's easy to let that slip. But careful documentation of IP and its ownership, with close attention to patents, will ensure that your company keeps the assets it has created.

Finally, review your company's expenses line-by-line. (If you've already done it, do it again.) In lean times, the companies that come out strongest are those that adopt a permanent mindset: *There's more fat to trim.*

### **Cultivate Customers**

Start with your best customers and re-energize those relationships with closer communications at every level. Go deeper than lunch meetings to learn the challenges and opportunities your golden customers are facing.

Which of these challenges and opportunities are most urgent? Which could hurt your relationship? Which could you solve fast? Help your customers strategize solutions and you'll become a golden vendor.

Meanwhile, keep an eye on your accounts receivable. Order credit reports on all your important customers, big or small. If concerns show up, reduce your exposure. If the worst happens, and a supplier goes bankrupt, its creditors will come last in a bankruptcy proceeding. Don't be in that line.

### **Consider Strategic Moves**

If you thoroughly review your company's strategy you'll undoubtedly find gaps. Take time to assess and fill those gaps. Companies of all kinds are available for sale today at favorable prices. Does one provide the synergies you need to close a gap and lay claim to a more profitable market?

Or maybe it's time to clear your own decks, and divest your company of assets that are performing poorly or diverting focus from your core competencies.

### **Get Finances in Order**

Lenders are tight-fisted today, but many companies have access to state or other programs that make lower financing costs available. Whatever happens, don't be a lender yourself: Manage customer credit risks proactively. Examine the credit terms you've extended to customers and change them as needed.

Evaluate your inventory, too. If you're not likely to burn it off in six months, a clearance sale or a write-down can generate cash — probably a better use than sitting on your shelves.

Finally, remember that falling real estate markets can offer opportunities to renegotiate leases on facilities. It's a renter's market.

Recession management is hard, but it can yield big results. Our firm can help you grow stronger even in tight times.

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*Manufacturing / Distribution Advisor* is produced quarterly by Bober Markey Fedorovich's Manufacturing / Distribution Services Team. If you would like additional information about the services that we provide, please contact Cindy S. Johnson, CPA, CIT at (330) 762-9785 or [cjohnson@bobermarkey.com](mailto:cjohnson@bobermarkey.com).

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