Leading and Managing in Tough Times

Article Published May 2003, Contracting Profits Journal
Volume 23, Number 5

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Up until the past 18 months, "tough times" for a building service contractor may have meant a customer defaulting, a key person leaving, or a banking relationship that withered under pressure. But now, tough times mean tight margins, tighter budgets and every bid proposal a critical moment.

In the face of this reality, how you manage and lead your company through the current economic climate to the eventual turnaround is significant. In order to be well positioned for the future, you first have to get through the present. And weathering the current economic storm requires a keen sense of what obstacles and opportunities lay ahead. Here are some maneuvering tips.

Look outside

It's not a time to only "batten down the hatches" and carefully monitor each expenditure, but it also is a time for creatively rethinking the business you're in, and what you want to be in. For instance a $10 million janitorial company in the Northeast rethought its business during the 1992 economic downturn. They considered some typical choices: geographic expansion, product or service expansion, or growth through acquisition. None seemed to fit the bill. With some bold creativity, the janitorial company launched a completely new security line of business which has blossomed since Sept. 11, 2001.

Their decade-old boldness is resurfacing again, however this time from a $38 million platform in the form of computer security. They haven't let the hard times of 1992 or 2003 stop their business creativity.

Look inside

In addition to the external strategic look, BSCs need to also look inside their businesses. Flush economic times of the recent past would often mask problems, with companies not feeling a compelling need for ongoing improvement activities. Inefficiencies, job profit margin percentages, and duplication of effort were somewhat overlooked. Business development would deliver the next “cash infusion.” Now, there’s no silver bullet. Major company processes and systems warrant scrutiny.

So what warrants scrutiny in addition to the monthly profit-and-loss statements, budgets and potential new business opportunities?

One place to look is with company “sacred cows” - processes or procedures done the “way we’ve always done them,” relatives or long-term employees whose company role has far outstripped their capability and other elements that are unneeded but that nobody wants to cut. In these and other cases, it’s time to send these sacred cows out to pasture.

However, don’t cut your business development budget. Hold the line on this budget, but don’t do it in the same way. A recent study identified 71 percent of companies with less than $18 million in revenues being very good at identifying their core customers. The same study also identified that of those companies that clearly recognized their core customers, only 13 percent had planned strategies to retain them let alone expand their customer base – 87 percent had no formal plan! In tight times, it is even more important to target your efforts.

Business development dollars need to be spent based on quantitative results. If a marketing effort has come up empty handed in the past, change it. Review what has worked and spend those same dollars on efforts which have yielded a greater return on investment. End those which didn’t. If you don’t continue targeted business development, your competitors will. And, in your absence, you’ll not only miss potential growth opportunities, but some of your existing revenue base may be whisked away.

Slower times afford opportunities to build the company’s infrastructure - both the people and process sides. Ensure that people are trained for their current responsibilities, and cross train them for new ones. Establish job descriptions and organization charts; update and document policies and procedures. A Southern U.S. janitorial firm identified a 2003 strategic objective to increase their collections. They rapidly found that their existing procedures wouldn’t consistently deliver the necessary up-tick in collections, and redesigned their procedures. A collections increase followed.

Another way to build company infrastructure is to establish key indicators. Key indicators are those measures, in addition to monthly financial statements, which tell you the relative health of the business. For example, most restaurants have three key measures:

- Number of customers
- Average check amount
- Profit per food item

With these established indicators, restaurants can focus their efforts on primarily getting people there, up selling certain items based on profitability, and doing both in a quality fashion. BSCs need to do the same. Possible key indicators for them may include:

- Overall monthly profit per job (expressed as a percent)
- Ratio of successful bid proposals to unsuccessful ones
- General and administrative costs
- Number of customer complaints per job
- Percentage of customers retained annually

Clearly, there is more to monitor than the financials. For example, in addition to key indicators, changing established roles can be beneficial. With new business sagging for a mid-size, West Coast company, the owner voluntarily assumed a new role, that of head salesperson. The owner/salesperson, took direction from the sales manager, allowing himself to be managed by a more sales-savvy individual. With a focused effort, the owner assisted the downsized sales staff and brought in needed new business. The owner was willing to change hats based on the compelling business need and be functionally subordinate to his sales manager.

The people dimension in these times takes on added importance. Be slow to hire, and when you do hire, add staff to fill a career, not just a single position. Ask yourself if this individual has the capacity to grow into more responsible roles. If not, look elsewhere. Unfortunately, sometimes staff has to be let go. Never cut good people. Very good people are hard to discover, so find a way to keep them. You may not ever find someone that good. In addition, let your key people know that they not only have a job, but more importantly, how valuable they are to you so their attentions won't wander elsewhere. Then, repeat that message again. In troubled times, people may hear, but often don't fully listen and comprehend.

We know that eventually there will be a turnaround. The decisions you make and the information you offer to employees will determine how committed they will be for the long haul. If you separated people respectfully, communicated company situations and decisions openly and consistently, and demonstrated that the company's hardship was yours also, and not just the employees, they will reward you with their productivity when the turnaround happens.

By proactively rethinking the business, cutting inefficiencies, getting clear on business development efforts, becoming more internally organized, being willing to change your role and investing in your key people, your company can do more than merely survive. It can thrive in readiness for better times.