

FOR EXECUTIVES SEEKING TO BUY, SELL, OR RECAPITALIZE BUSINESSES

Grow Your Business During This Recession

Success Strategies For Business Executives In Recessions

"When Times Get Tough, the Tough Get Going"- Anonymous

As the pundits debate if we are in a recession or in a depression, companies are looking forward to see what they can do to get back in to growth mode. We looked back at the learnings from the past recessions, and have come up with a list of things that have worked well in the past and are likely to work well again in the current environment.

1. Improve cash flow. This is by far the most important thing to do for companies looking to survive and prosper in recessions. As simple as this may sound, increasing sales is not the only way to improve cash flow. We are constantly amazed by how lax businessmen and organizations become in good times and how much room there is for improvement. Some simple and effective ways to improve cash flow include:

- ensure accurate book keeping and audit for abuse and theft
- collect accounts receivable early and delay accounts payable without incurring penalties
- clear out underperforming or unused assets and slow moving or stale inventory
- delay capital purchases and look to coincide purchases with vendor sales
- review payroll and other large expenses and look for cutbacks as appropriate
- negotiate favorable rates and payment terms from suppliers or switch suppliers (easy targets include rent, insurance, workers comp, and telephone system)
- purchase essential items less frequently and in bulk to save shipping costs and get price breaks
- charge customers upfront fees/payments where possible

2. Maintain a good cash position. Since no one really knows when a recession ends and the next growth cycle starts, it is imperative that companies maintain a good cash position through the down cycle. Cash cushion is critical for a company and also puts the company in a strong position vis-à-vis suppliers and bankers.

3. Consider an active acquisition strategy. During a recession, there will be a lot of good opportunities to expend cash to invest in undervalued assets or businesses that provide

strong cash flow. Retain a competent advisor to develop and implement a cohesive acquisition plan.

4. Understand how customers determine value in tough times. Tailor product offerings to more closely reflect the changed customer needs. The key is to provide more value to the customers without sacrificing margins. Look for creative product and service bundling opportunities and keep on constant lookout for ways to retain existing customers. Keep in mind that attracting new customers is several times more expensive than retaining existing customers.

5. Fine tune marketing campaigns. Recessionary time is typically not the best time to cut marketing spending but is the time to use the marketing budget more wisely to increase return and create a stronger brand. Look for competition that is unable to address client needs and go after their customers. Customer acquisition costs are much lower for you if your competitor is going out of business. Target some of the marketing dollars to go after customers of companies that are going out of business. For the stronger companies, recessions are the best time to gain market share.

6. Negotiate long term supplier deals at below market rates. Can you get an extraordinary lease on a prime property because someone else went out of business and the landlord is desperate to get a tenant? Can you negotiate a favorable long term advertising rate? Recessions are the best times to lock in long term supplier deals. Good deals are nearly impossible to get when the market is hot.

7. Build or improve your distribution/sales channels. In tough times, distributors and sales people are hungry for business. Current channels may be more receptive to your needs. Some desirable channels that were not open to your company before may open up. You may be able to negotiate more favorable terms from your existing distribution channel or get a stronger channel to replace your current channel more cost effectively.

8. Stay away from general cuts across the board. Cuts, if needed, should be in areas that do not create value or business areas that are not part of the core business. Look to divest or outsource non-core operations and invest in areas that are the future growth areas of the company.

9. Build employee loyalty. Employees will remember you for sticking with them through the tough times. Operate the business by emphasizing core values and leading by example. When tough decisions need to be made, solicit employee feedback. Use slow times to invest in employee training and developing compelling marketing and sales strategies and tactics. Communicate profusely and make sure the morale stays high.

10. Have a clear vision of where the company needs to be when the recession is over. Managing your business is a lot about allocation of resources and prioritizing where to prune and where to grow. Having a clear vision helps make tough choices that need to be made along the way.

Work out a solid plan. Implement it. Grow your business during this recession!

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