



Management Contract Services

Building Businesses in the Digital Age

How to Keep Your Company Out Of The Ditch

12 Critical Steps Every CEO Must Take

This white-paper discusses steps every CEO needs to follow to make sure his/her company does not run off the curb and end up in the ditch.

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If you are looking to improve your financial operations, contact Patrick Wheeler for a no-cost initial assessment of your business to determine how he might be able to help you.

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What makes great businesses perform well in a poor economy? Do you want to take the steps that the great business leaders take?

Many companies today have watched sales stall or drop precipitously. Often business owners find themselves in a state of despair—feeling as if their efforts just aren't working. However there are always great opportunities in times of economic challenges. All that's required are great insights and a great plan.

Leadership in the Era of Economic Uncertainty

In his landmark book, "*Leadership in the Era of Economic Uncertainty*" Ram Charan lists twelve things every CEO must do when facing a time of challenge and uncertainty.

1. **Recognize reality.** Examine your current situation with a clear set of eyes. Get different perspectives, if necessary. Ask every possible question about how your company is going to be different two years from now. Don't maintain any illusions that things will remain the same. Change *will* come, whether you meet it or not. Start developing your turnaround plan and forecasting now.
2. **Change your company's psychology.** Convince your employees that while the company is experiencing desperate times, their actions can make all the difference. Present your plan showing them how the company will overcome its current challenges. When times are tough, your employees are looking for strong, decisive leadership.
3. **Be Bold.** When necessary, take decisive action. As the leader, you need to instill confidence with all stakeholders. Take calculated risks and banish timidity.
4. **Reallocate your time.** Commit to being hands-on in every aspect of your company. You will gain vital insight into current realities.
5. **Protect your core business.** Your customers, key employees, and brand identity are central to success. Focus on core strengths and release everything else.
6. **Be transparent.** Communicate clearly and frequently. Commit to sharing all salient business information with your key employees on a regular basis.
7. **Be visible.** Manage by walking around and keep your office door open. An ex-manager of mine kept a jar of shelled peanuts at his desk. Simple, yes—but it encouraged employees to enter and share. I'll wager he gained considerable information from all levels of the organization this way.

8. **Know the daily numbers.** You must know where you stand every day. Measure those items that are critical to your business – items that will help you make better decisions. Set up a one page Excel spreadsheet listing daily cash flow, sales, inventory, margins, receivables and collections. It will keep you grounded in reality.
9. **Manage for cash.** Focus on cash received and hold on to it. Pay your payables twice a month. If you have inventory, reduce it to bare bones. Sell off stale inventory. Consider using the Visa Bill Paying System, it provides a company with the ability to pay smaller vendor invoices electronically. Doing so enables you to pay invoices early and take advantage of seller discounts. You then receive one bill from Visa monthly. You benefit by taking vendor discounts and not having to make a payment for another 25 days. This saves time in processing accounts payable and improves relations.
10. **Pare your customer base.** If your company is anything like others, it operates on the 80/20 rule, with 80% of your profits coming from 20% of your customers. Install a customer profitability rating system and weed out your non-performing customers. They're a drain on your cash flow and might be causing your company to carry extra, unnecessary inventory. Allocate those dollars to more profitable products / activities.
11. **Know when to change strategy.** When business slows and profits aren't progressing according to plan, it 's time to perform a complete strategic re-evaluation. Take the pulse of the environment in which you are operating. Seek input from employees, customers, vendors and industry leaders. Explore new business opportunities.
12. **Set shorter-term milestones.** Most companies have annual operations targets. In a shifting economy, every business needs to establish written and measurable short-term targets as well. Monthly or even weekly targets are appropriate. If sales suddenly sour, the company can react sooner and take corrective action.

Conclusion

Following these twelve steps will help you survive and prosper in this economically turbulent environment. Put these practices to work right away and reap the rewards almost immediately. Consider obtaining an outside perspective (through accountant, banker, lawyer or consultant well-versed in helping you take these steps.

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Patrick M. Wheeler is the Managing Director at Management Contract Services and is a professional executive with an MBA and 25 years of management and consulting experience. He has worked with a large variety of companies, including service industry, wholesale industry and technology companies with sale of \$1M-\$15M. He has experience as a CEO, COO, GM and contracted CFO. Contact Patrick at pwheeler@managementcontractserv.com

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