

February, 2010

KEEP THE COMMANDMENTS – ALL 12 OF THEM!

The economy is recovering, although not as rapidly or steadily as we would all like. Therefore, it is time for senior management to shift from survival planning to recovery and growth planning. Recognizing this – and with apologies to Moses – we share with you the 12 Commandments management must keep in order to maintain or regain a successful operation.

1. **Define your business.** You can't really be successful if you don't define your business and what differentiates you from your competition. There are only three ways to differentiate the product or service you provide: Quality, price or service. What differentiates your operation from the competition?
2. **Develop a strategic plan.** A strategic plan commits in writing where you want to take your business or organization and how you intend to get there. Use your plan to set goals and monitor success. Include an implementation plan with interim steps, timelines for completion and responsibilities. A strategic plan should be a *living* document. Review it regularly to see if you are on track to accomplish your objectives. Update your plan annually.
3. **Strengthen your customer or client relationships.** Recommit your operation to treating your customers or clients like you want to be treated. It's far easier and less costly to retain existing customers than to attract new ones.
4. **Reinforce your supplier relationships.** Your suppliers need your business so use that to your advantage. Shop around. Know the suppliers you can count on and send your business to the key ones. Make suppliers your partners in helping you succeed.
5. **Manage and control your inventory.** Recognize that about 20% of your inventory probably accounts for 80% of your sales – so don't fall in love with the rest of your inventory. Examine re-ordering policies. Get rid of slow-moving items to generate cash because you've already incurred the losses – you just haven't recognized them.
6. **Fight the competition.** Who are they? What are they doing? Realistically assess your strengths and weaknesses against theirs in the quality/price/service triangle. Where can you outperform them? Keep abreast of changes in your industry or field and be prepared to respond.
7. **Monitor key indicators.** Every operation has them – and there are only a few that are important. Measuring progress regularly allows you to compare results with your strategic plan. Develop reports that enable you to measure key performance indicators such as sales, collections, backlog, production and productivity. Just as important, share the goals and results with your employees so everyone knows how the company is doing.
8. **Improve productivity and cash flow. Manage for cash flow and not for net income.** Anticipate when cash will be tight and take action before it becomes a problem. Be aggressive in collecting receivables. You can't afford to sell to customers or clients who don't pay or pay late. Improve your margins and do everything in your power to reduce unnecessary costs.

9. **Expand and diversify cautiously.** Nothing can unravel a company or operation faster than growth that is too fast or unplanned or diversification that doesn't make sense. If you're considering embarking on a new line of business, be very clear what its relationship will be to your existing business. If there isn't any, don't do it. If there is, commit your plan in writing, implement it and then monitor it.
10. **Be prepared to finance growth.** It takes money to grow your operation. Be relentless in exploring scenarios that make the best use of your financial resources. Continually monitor cash – it's the lifeblood of your business.
11. **Attract and retain outstanding people.** Recruit capable people and pay for performance. Strive for a close and warm work environment. Make sure your employees have opportunities for growth through training and advancement. Communicate regularly and cultivate an environment that is based on mutual trust and open dialogue. Go out of your way to make your employees part of the process.
12. **Invest in technology.** Technology is critical for all aspects of your operation from inventory control to accounts receivable management to customer and client information. But don't make technology your master. Remember the words of Herb Kelleher when he was asked what was the technology strategy of Southwest Airlines. His answer: "We don't have a technology strategy. We have a business strategy and use technology to help implement it."

NOTE: Further discussion of some of these Commandments, as well as of other timely issues, are contained in the Corporate Communique section on our web site, www.robertdenney.com.

ROBERT DENNEY Associates, Inc.
P.O. Box 551, Wayne, PA 19087-0551 • 610-644-7020 • fax: 610-296-8726
email: bob@robertdenney.com • web site: www.robertdenney.com

