

Best Practices in a Challenging Economy

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Today's economic business climate requires that business owners be more thoughtful, more urgent, and more relentless to find and execute solutions – Best Practices -- that enable them to deliver more results with less. Best Practices function as short cuts to the kinds of priority measurable improvements that veteran owners and entrepreneurs are passionate about.

So let me share with you my “**Survival Checklist of Best Practices**” distilled out of more than 300 client experiences with companies ranging from Pfizer and Northrop Grumman to scores of middle market businesses with whom I have partnered to define and execute the “Big Opportunity.”

Best Practice # 1: Learn, change, and grow daily – or drift.

Starting with yourself at the top of the organization, cultivate an insatiable appetite to learn and grow. For the sake of true improvement, do not be afraid to ditch the status quo. Keep yourself in the position of a student. In the words of William Shakespeare, “May we live to learn well – and thus learn to live well.”

Best Practice # 2: Develop a written strategy.

An old African proverb says it best: “If you don't know where you are going, any road will get you there.” The sad truth is that any road will get you somewhere, though not necessarily where you want and need to go.

Invite your senior management team to co-create a written strategic plan involving a 12-month breakthrough plan, a 24-36 month focused business plan, and a “who does what by when” written action plan by which to attain concrete priority goals.

The CEO and senior executive team of a leading \$150 million a year broadline food distributor recently went through this process with my guidance, accomplishing its three-year margin and sales growth goals in only 18 months.

It is also critical that this action plan be “co-created.” In middle market companies, how broadly the plan is owned by those who must implement it is often as important as the plan itself.

Best Practice # 3: Concentrate on new customer development.

In times of challenge, define BHAGs – Big Hairy Audacious Goals. Then define with precision your sales and marketing plans that target exactly who are the customers that you must secure to grow to the next level. Define and relentlessly execute your action plans accordingly.

Best Practice # 4: Define the size of the prize.

Educate yourself on and concentrate upon those classes of trade that yield the greatest growth and profitability to your company, be they traditional or new.

I recently helped a frozen food manufacturing company define and launch the process to grow from \$30 million to \$100 million in annual sales with enhanced profitability by clarifying that the club store segment was the key to company growth. With this goal in mind, we secured a \$5 million club store contract which provided the platform upon which to build a valuable national brand.

Best Practice # 5: Strengthen your value proposition to existing customers.

Obsessively focus on enhancing the value of the products and services you deliver to your customers “from the customer back” instead of from your perspective to them. Consider why customers stay with you instead of your competition. Even harder, confront and resolve the reasons they leave you and go to the competition. Business guru Peter Drucker said, “Fulfilling the wants and needs of the customer is ultimately the only purpose of business.”

Best Practice # 6: Raise operational excellence while lowering costs.

A 100-year-old recycling/carting company I advise recently unveiled the first all natural gas garbage trucks in Metro New York and publicized the “handkerchief test.” This “test” involves placing a white handkerchief over the exhaust of an operating truck to demonstrate the truck’s clean emissions. The company received national publicity and new market differentiation for this green initiative while significantly reducing the operating costs of its trucks.

Best Practice # 7: Pay attention to and invest in your human capital and in your culture.

Constantly improve your company’s productivity through the use of top-to-bottom job descriptions focused upon critical success factors -- those key elements that each position must nail to help the company and that individual reach the next level.

Enhance the level of your talent – both existing and new – which generates new ROI and provides the traction you need to grow and improve.

Professionalize your hiring practices and consider implementing results-based incentives. And regularly review, evaluate, and reward performance position by position at least once, if not twice, per year.

Best Practice # 8: Shift from a “do-do-do till you drop” culture to a “plan-do-review” culture that:

- Defines and documents clear priority objectives – called Management by Objectives, or MBOs. That is the PLAN part.
- Links these objectives to the objectives of specific departments and positions targeting specific results and timetables. That is the DO part.
- Then regularly review these results to emerge with clear accountability and a still better plan – learn from and channel these outcomes into concrete further improvements.

Best Practice # 9: Consistently pursue product improvements and brand development.

The owners of a leading broadline meat distributor and I determined that a key strategy to get to the next level of profitability is to develop a premium, higher margin proprietary branded product. To date, we have secured exclusive distribution rights to a national sports franchise and are working to position the product within key distribution channels, such as Costco and upscale supermarkets.

And finally, Best Practice # 10: **Constantly review and endeavor to enhance profitability.**

Identify a trusted accountant partner with expertise in the food and beverage industry to work strategically with your internal finance department to:

- Understand your level of profitability and the ways to enhance it;
- Produce accurate monthly financial statements on a timely basis and in an understandable format;
- Develop an annual budget and compare this plan to actual results every month or at least every quarter; and to
- Engage in proactive tax planning to maximize all legal opportunities to save taxes, to enhance the value of your business, and to successfully plan for the next generation of leadership.

Implementing the above may feel at times like changing two tires at 60 miles an hour – but such is life in these interesting times!

Should you be interested in exploring how to most effectively apply these best practices to your business, please contact me and let's begin a conversation that clarifies your unique opportunities – then makes them real!