

## Planning in turbulent times

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In these turbulent times it's hard to predict what's going to happen. That makes it hard to plan, or know what to do about spending. What's your advice.

This question comes to us from an owner in Connecticut, who has a well-established company that provides services to a variety of customers. Some of the customers are in real trouble, and some are okay. The company has been very aggressive with its marketing, sales and cost cutting, which will probably ensure they will get through this rocky period.

There are several rules business owners want to follow when it comes to planning in turbulent times. The primary rule is to know where you are at all times, and where you're going. Readjust your sales plan monthly and base your spending on the adjusted sales plan. Understand what's happening to your industry. Talk regularly with any financing sources. Make changes quickly.

Monitor the business weekly and monthly. Get a set of reports on your desk on Monday at 8 am, and on the first of the month. Don't wait until the 10th or 15th to look back. Monitor accounts payable vs. accounts receivable (from your balance sheet), revenue vs. forecast and expenses vs. budget. Have a snapshot of the amount of cash reserves, credit line used and available, pending deposits, and any customer or vendor accounts more than 45 days past due.

Keep a rolling 13-week forecast. Look forward at least one to two quarters at all times. Project expenses and sales. Identify any shortfalls. Decide now how you're going to handle the shortfalls. Know at all times how much cash you have on hand, and whether you are going to have to risk any of it to cover a shortfall.

If there are shortfalls in your 13-week plan, take action immediately. Send people out on a special mission to contact existing customers and ask for another order. Approach new customers and prospects with a sense of urgency. And if you can't eliminate the shortfall with sales, cut expenses now. This is not a time to live in the land of hoping and wishing that things will get better. The rewards will go to the firms that make the tough decisions that will get them through intact.

Depending on how sales went last month, you may need to re-adjust your plan going forward. If you were below plan the previous month, cut your sales projections by that percentage this month and next. If you were ahead of plan last month, stick with the existing plan.

Make spending decisions monthly based on the adjusted sales plan. Review your gross profit and expense forecast for the upcoming three months, as soon as you've adjusted your sales forecast. Cut expenses to close any gap. Prioritize dollars for marketing and sales efforts. Make everything else wait, if possible.

Do not expect your banker to bail you out. Their jobs, and for some, their bank's very existence, are on the line. Lending must go through committees. Your lending officer has to carry messages back and forth. If he asks for something, get it to him quickly, in writing, so they can act as go-between and accurately convey the information.

If you have outstanding bank loans, or lines of credit, pull out your agreements and read them through line by line. Understand what covenants you have to meet, and know where your company is in relation to those covenants. If you think you're going to have trouble meeting terms, talk to your banker sooner rather than later. The rule is: no surprises.

Monitor specific customer accounts. Know which are up, which are down, and which have the potential to change. If there are major customers you haven't talked to in a long time, get on the horn and get a direct feel for how they're doing.

Get someone to do some research for you on industry trends, so you don't get blindsided. You want to look at your industry and competitors, your customers' customers, the area(s) of the country in which you operate or sell. Know as much as you can about how things are unfolding. Use this information to focus on those parts of your business with the greatest potential to survive and profit, and to cut out those areas likely to implode.

Act quickly with your analysis. You cannot afford to get paralyzed waiting for another piece of information, and then another. Whether you're re-prioritizing which customers to work with and which to cut loose, or the same with employees and vendors, this cycle rewards fast, informed action. Get a feel for the trends, then act fast!

Looking for a good book? Try "The Return of Depression Economics and the Crisis of 2008," by Paul Krugman.

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