

STEPS TO IMPROVE YOUR COMPANY NOW

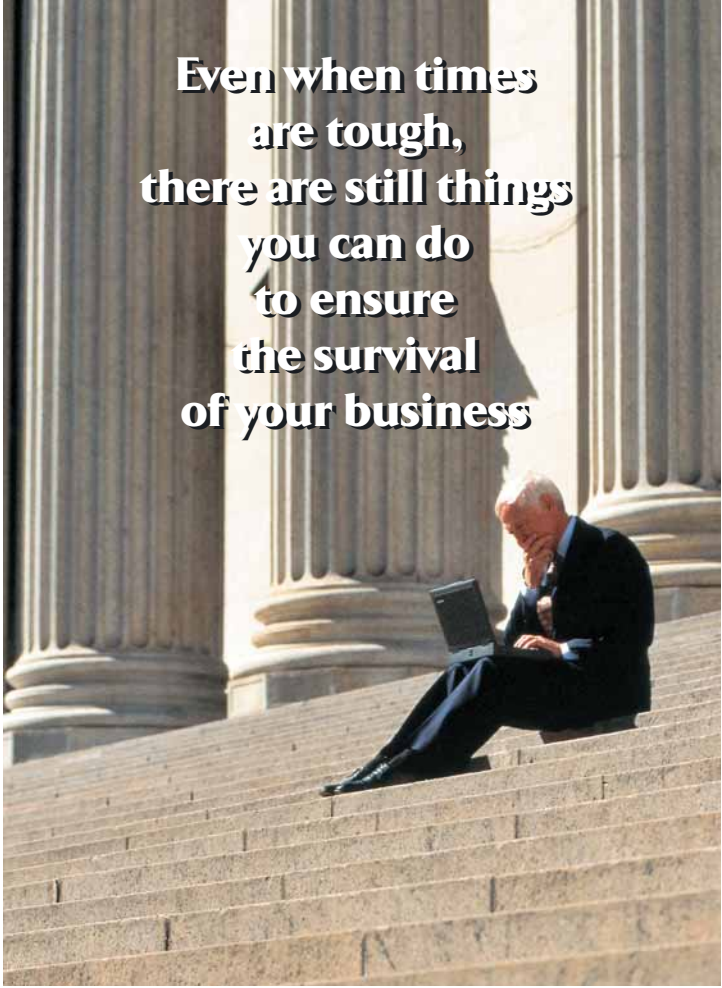
By Jeff Sands

This too shall pass, as they say. But for 2010, the wall art industry still has a tough ride. During my first business turnaround, my mentor tried to reassure me with a Freudian slip of, "It'll get painful before it gets worse." I knew what he meant to say, but we both also realized the impending accuracy of his statement.

Since then I have worked with several art and decor businesses to help return them to profitability. Along the way, I learned many tricks and have seen the same patterns again and again. Hopefully that experience will give you some ideas to help you through the coming months.

Hoard Your Cash. Cash is the new black. Well-run businesses will make it their absolute number-one business priority. When times are tough, cash is the only thing that matters—more than profits, vision, strategy, stakeholders, or new products. Years ago I had my core revenues drop 75 percent in three years, and the only thing I had left was cash, a business, and a future.

Manage your cash with two simple rules. Take back your checkbook and your P.O. book. There is no quicker way to understand your business than to control the flow of cash. And second, call every single customer who owes you money to get paid quicker. A friend of mine has distilled 35 years of experience fixing small businesses into one simple rule: never spend more this week than you started with on Monday. No exceptions. It sounds overly



Even when times are tough, there are still things you can do to ensure the survival of your business

simplistic, but it can be effective.

Find Your Core.

Somewhere, underneath years of accumulation, you have a profitable little business glowing like an ember in the coals. Find that ember and tend it. This is now your business, and you need to keep it alive by feeding it slowly. Everything that is unprofitable now will probably remain that way 12 months from now. You can cut the losses now or wait and see what happens until you do.

Take Care of Yourself.

That means mentally, physically, and financially. I've seen business owners suffer nervous breakdowns and others lose their health in a turnaround. I've also seen business owners end up totally bust, having

never protected their savings. There are proven techniques for preserving your mental, physical, and financial well being. Start learning and using them now.

This is not the time to go it alone. You may have gotten into trouble without the help of experienced professionals, but it is unlikely you will get out of trouble that way. During my first turnaround I found humor and direction from an old Will Rogers quip: "If stupidity got us into this mess, why can't it get us out?"

SKU Rationalization. Pareto was brilliant because 80 percent of everything really does come from about 20 percent of something else. Very few of your SKUs are paying their way and need to be cut quickly. In most businesses, any product that is not paying for itself within six months is a dog. In good times you have all sorts of strategic reasons for carrying extra items—positioning, defensibility,

etc. Now is the time to find your profitable core and stay there.

Gross Margins. There is no number more important to your sustainability. Gross profit margins are what's left to pay everything after the raw cost of your products or services. The bigger that percentage is, the more you have left to pay the bills and keep some profits. And the more you will enjoy life. As with any problem, you should always attack the big numbers first, and this is your biggest number.

Use the phone. Call your customers. Find out what's really going on, why they haven't purchased from you lately, why they are paying slower, if they're closing down, what might spur them to go deeper in your products now. You have begun to take back control of your business, and your customers are the most important part. Please don't outsource your customer relationships; very few people end up happy with the results.

Hold Your Prices—and Dump Your Inventory. That may sound like contradictory advice, but if an item hasn't sold in six months, dump it. Be known for hot new product that sells through quickly, and always offer your elite customers first dibs at the best deals.

Plan and Time Your Promotions. Smart companies work hard and spend plenty of money to promote their products. Really smart companies orchestrate the type, timing, and nature of their promotions to get vastly greater results for the same efforts. This is simply working smarter, not harder, and is critical when cash is tight.

Study. There are many books, articles, and courses to help guide you through the process. I've recently been recommending a new online turnaround course to friends of mine. There are also five stages of a turnaround, and these provide encouraging guideposts along the way.

Maintain Your Poise. Adversity doesn't build character; it reveals character. No matter how hard it is, maintain your poise. I recently watched a framed art CEO lash out at employees days before significant layoffs. In 20 minutes he burned the respect of those who would be leav-

ing and the commitment of those who stayed.

When times are tough, hang in there. Business may indeed get painful before it gets worse. But find your ember of hope and profitability and protect it at all costs. Brighter days are ahead if you make the right moves now. ■

Jeff Sands is a director with Dorset Partners LLC, an advisory firm specializing in corporate turnarounds, financial restructuring, and profit improvements. Dorset has guided hundreds of business turnarounds over the past 35 years. The company has published Turnaround Roadmap™, available as a free download from www.dorsetpartners.com.

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