

OPPORTUNITY KNOCKS

Strategies for thriving in a weak economy, and good times as well

By David W. Eller



The state of our economy and money markets seems to be growing more bleak. Major financial indexes suggest a growing global economic slide. The result is that many hospitality companies are now faced with tightening credit markets with less liquidity and more expensive debt. The available credit will also have more strings attached. Main street businesses increasingly have a tougher time getting financing for everyday operations because of the credit market turmoil. The bottom line is that a typical business will have difficulty meeting payroll and operating expenditures. In other words, we are running low on money, and thus increasing our financial risk exposure and our ability to generate more.

Where is our financial growth going to come from? How can we generate money to fund day-to-day operations and growth? What can a company do to survive, reduce risk exposure and succeed in a troubled economy? Conventional planning suggests various strategies:

1. Raise prices;
2. Sell more to existing customers;
3. Acquire additional new customers;
4. Create new products and services; and
5. Enter new markets.

One or all of these strategies may not work in our current economic climate, which has seen some real change recently. Our economic assumptions and monetary markets have been drastically altered. Now is the time for financial

managers to revisit the drawing board and re-examine their situation as they face challenges and opportunities.

For example, many businesses have incurred reduced revenues from operations, increased costs for energy, health care, insurance, taxes, etc. How can a typical business in the hospitality industry survive and prosper during this very bumpy time? One option is to ignore the situation and hope for the best. Or, managers can turn their current situations into a period of strategic planning and take advantage of opportunities. The following are strategies important for thriving in a weak economy and in good times as well.

Proper Strategic Planning

First and most important is proper strategic planning. In good times it is important to build proper cash reserves, reduce debt and increase strategic flexibility. A properly implemented planning process can be the most important factor to business growth and cash flow improvement. It motivates you to document management objectives and goals, and needed new practices are revealed. Make sure to detail each step of your analysis so you can develop a complete system for growth and improved cash flow, and become focused on areas that need to be worked on.

In slow business periods, remember that there are unlimited business development opportunities. If you focus on retrenchment and ignore short-term cash flow improvements, your business will remain in the doldrums and you will continue to do business unprepared and without confidence.

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Instead, perform the necessary homework to discover your talented employees and ideal solutions.

Focus on Money and Costs

The cost-cutting planning process helps you discover new business growth opportunities and secrets for improving cash flow. These discoveries result in increased sales revenue, decreased expenses, lower taxes, higher profits and improved cash flow.

Let's begin by tackling HR cost reductions and identifying new sources of cash flow, profitability and growth. Many business managers view employee benefits as a source of escalating costs, legal liabilities and other problems. But, today many options exist for controlling the costs of your benefits program, while still providing the right mix of benefits for your employees.

To control costs, look for alternatives to your standard benefit plans. Research employee plans with high costs and identify and rank the costs. Once the cost structure is better known, implement new tactics for cutting costs and improving HR benefits.

People Are Your Greatest Asset

A business' greatest asset is its employees. Proper treatment of your current team members in a downsized organization is critical. To help your employees feel secure in their positions, communicate future plans and business prospects with them. A careful review of employee performance and benefits are viewed as an opportunity. Today, many options exist for helping employees cope with their individual financial situations, and a reconfigured benefits program creates an improved mix of benefits to help your employees.

Opportunities abound in a down market for hiring good people from struggling competitors. With a proper management environment, team approach and improved employee benefits, many prospective employees will be anxious to "sign on."

Focus on Tax Opportunities

This is an area where financial officers can make an impact. Companies should

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review their tax accounting methods to determine if tax opportunities exist and whether they are taking advantage of new tax benefits. The IRS procedures that allow the acceleration of depreciation of cost segregated assets is a great source of new money for businesses.

On October 3, 2008 President Bush signed into law the Energy Policy Act which extends energy tax credits to December 31, 2013. This legislation can help significantly reduce the heating, cooling, water heating and interior lighting energy costs, as well as help the business save money on taxes. Tax reductions reduce the amount of tax you owe dollar for dollar.

Focus on Investment Opportunities

Your strategic analysis may reveal that your company is in a position to seek out investment opportunities and improve your company's competitive position. With the current market valuations, now might be the time to acquire key competitors for bargain prices or to add complementary businesses.

New investments can increase the efficiency and cost effectiveness of a business. Also, some investment candidates may have cash reserves or "quick sources of money;" as well as, strong talent who are useful for growth and diversification.

New Money and New Growth

These strategies suggest countless options for "new money" and growth. It is paramount to do the research in an effort to find the best answers for a given business. Identifying and researching the current situation, company strengths, weaknesses, threats and opportunities (SWOT) is a strategy for money management and growth.

There are many strategies for succeeding in a troubled economy. With a strategic planning approach and financial simulation modeling, the plan will become evident. With this powerful strategic planning engine, companies can navigate in very difficult times. This is a technique for a company to position itself for unchallenged future success.

Implementing these strategies above will help hospitality businesses to navigate the economic downturn and position their companies in a very competitive position when the market conditions improve. This is an ideal time to "plant, sow and reap." New ideas and a strategic approach is the proper way to plant seeds of positive changes throughout the organization. This is also an idea time for the CFO and financial team to direct a solid game plan.

Next Step Questions

- What is your plan for dealing with the current economy and its future challenges?
- What steps will you take?
- Are you willing to dig for measurable results?

One final thought — take action. This past year has shown us that the world economy and financial money markets are directly linked to our business. When it becomes tougher to make money, the clue is to get quiet, think, lean down, dig in and play a tougher game. By taking serious focused action, we can make a big difference in our organization's future financial success. Good stewardship of our resources will allow the "profit seekers" to contribute to new growth of hope, human energy and money. ■