Delaney™

10 WAYS TO IMPROVE THE BOTTOM LINE

by

Lorraine J. Chilvers

Delaney Consulting, LLC

1. Ask Your Employees for Ideas to Save Cash

Employees are the heart of a company. Leaders often think they know it all. As leaders and managers, ask your employees for ideas to save cash and you may be surprised at the innovative and cost-saving ideas your employees can generate. For example, ask your employees to email you with their ideas or place "mailboxes" around workplaces, or hire an external company to conduct a survey. One company providing employee surveys is the Service Quality Institute, Minnesota, with their Buck-A-Day, or BAD, program, which asks each employee to identify a way to reduce costs by at least $1 a day. The campaign reinforces the idea that employees are the best source of ideas to save costs, increase revenues, reduce waste, and improve customer service.

Don't just leave it at that. Ask your employees (even those not in sales) if they can think of ways to generate new sales. A company we know did just this and an Executive Assistant made an introduction that resulted in a $1 million sale.

If you survey your employees, use it as a time to ask them for ways the company can prevent being wasteful. Often employees don't realize the impact of waste on costs or profits. One CEO we spoke to said his best ideas came from the janitor. He commented that as a clothing manufacturer, when they changed to a new production plan with different pattern layouts, one evening the janitor detailed that his trash cans were now much fuller with much more waste. While employees on the shop floor didn't highlight the waste issues, the conversation with the janitor resulted in noticing that a significant increase in costs had occurred. Be sure to review processes for tasks that add no value, increase hours worked or increase wasteful output.

2. Renegotiate Contracts with Your Employees Rather Than Lay Off

So often companies look at reducing headcount and laying people off as a way of reducing costs - some companies even do this as a regular routine, such as GE under the direction of Jack Welch. Rather than this (assuming you can maintain compliance with the law), look to renegotiating contracts with your employees rather than further headcount reductions. When the economy picks up, you will need employees with knowledge of the business and without the heavy burden of hiring new employees. When looking at reducing costs of the workforce, the better companies to work for start by reducing costs at the executive level (don't forget to include executive "perks" during these times) and look to the employee base to save costs second. It's a choice – ask your employees, "Would you rather lose one in ten of your peers (oh - and you may be the one to go!) or would you rather take a 10% pay cut?" By making these choices a company positions itself for a better motivated team of employees and can recover at a faster rate when the turnaround comes.

In a down economy, companies often find that they have let go the low-producing employees and now they face laying off the "good people". Many of the better-run companies actively pursue and hire highly-regarded employees away from their competitors in these times, as they can lure them away with lower compensation packages than in better times.

Companies should look at all aspects of the costs of the workforce, including benefits costs, to determine ways to be efficient and effective. There are many companies who can help you review such costs. Consider providing flexible work schedules to maintain a high level of motivation to ensure your employee is not lured away to another company.

3. Don't Reduce Your Sales Team . . . Offer a Pay Raise to Motivate Higher Sales

Many companies are reducing headcount within their sales team because sales may be down and that combined with the fixed compensation paid to sales people is a burden which needs to be met every payroll run. Changes to your sales team is the last step in the cost-cutting ideas you should employ. Don't reduce your sales team. . .offer a pay raise to motivate higher sales. You need more sales, not fewer. A tough economy requires tough measures. The more nimble a company can be to win a customer that would have gone to a competitor, the better.

If a sales person exceeds their goals they should be paid commensurate with the success they have achieved ("real" sales, of course). However, balance this with profitable sales. Look at removing the fixed cost burden (i.e., make the sales compensation closer to 100% commission) and offer a higher motivation for higher sales to improve revenue. Make sure when the sales person sells more, they make more money. Create a "stepped" compensation structure with a higher percent payout for higher levels of sales. And make sure your sales people are paid commission for the sale AFTER your customer pays you.

Train your sales team on "value" to the customer and not just "making the sale." Help them get better at solving the customers' problems with your product or service. If you've done all that, pay close attention to the time and cost it takes to make a sale and offer bonuses to the sales people who reduce the length and cost of the sales cycle. Travel costs can be reduced considerably by making some calls via conference call. Explaining this to your repeat customers will likely be met with positive feedback, as the customer realizes you are ultimately focusing on the cost of product to them. Also, don't forget a happier customer is a repeat customer and a referral source. . .so ask for referrals.

4. Make Sure you Understand Where you Spend your Money

While this sounds very basic, we often see companies who cannot determine the cost of producing their product. Make sure you understand the cost of each element of your business, producing the product and all the elements that make up your overheads. If you don't have a systematic way to determine your costs, how can you ensure each sale you make is making money?

While it's tough to go back to a customer and renegotiate, you want your sales team motivated to sell products that generate higher profit margins and to sell more of them.

For your overhead costs, when you next embark on a "project" make your internal team determine the cost of the activity and compare it with the cost of outsourcing that project. For example, when you create that new reporting process or hire your next employee, make sure the Accounting and HR departments determine the cost of the activity, then, compare it to the quote from an external company that would perform the same task. You may be surprised that your internal processes may be costing you more than you think – and if it does, you need to look carefully at reducing that cost. One company we know has built this into their performance review process and requires each employee to prove they increase the value on their "personal" balance sheet each year.

5. Conduct a Spend Management Review and Save Costs by a Firm Who Will Charge Based on a Commission of the Savings They Identify

If you have the internal knowledge and experience within your workforce to audit your costs to ensure they are the lowest possible rates without placing additional risks due to quality of service provided, you should maintain this review. If not, consider employing a company who can. Companies such as NPI Financial, an enterprise spend management consulting firm, can help you to achieve significant cost reduction in Technology, Transportation, Telecommunications and many other indirect spend categories through vendor audits, market analysis, price benchmarking and contract negotiations.

Then think bigger. Once such a company has saved you money, introduce them to your suppliers and help them save you further by reducing your costs of supply! Then, introduce them to your customers – they will appreciate that you have considered this on their behalf.

Consider how you can partner with both your suppliers and customers to reduce costs within your entire cycle of production. While the WalMart's of the world have the means to do this in a fully-automated fashion, you should still consider this. We recently assisted a company with less than 10 employees make connections in this way and identified ways to improve the procurement cycle, automate the process and improved the reporting process all at the same time.

6. Find a Recycling Company That Will Pay YOU Cash

Every company has trash. Many items we throw away are valuable commodities which are sold worldwide as revenue producing “product”. Cargo ships travel the globe carrying valuable trash on its way to the buyer who wants to create it into a new, saleable product. Make money from your recyclable trash. Take a look at the services provided by companies such as Environmental Asset Recovery Solutions, Atlanta GA, one of the fastest-growing recycling companies in the U.S. EARS USA is a full service recycling and reverse logistics company providing revenue for your environmental assets. Not only will you MAKE money, you will be saving our planet too.

7. Turn off the Lights. . . Literally

As you walk the hallways of your company, the production facilities and the corporate offices, even the parking lot, look for the most obvious things that you do and you will likely find ways to reduce costs in the most basic way. Don't ignore what is around you – the lights, the music being piped through the speakers, etc. Make sure you are spending money wisely.

A company that demonstrates a strong example of saving money by turning off the lights did exactly this. An employee suggestion that the hallways were too bright and did they really need all those light bulbs looked at this suggestion: By halving the number of fluorescent bulbs at the Auburn Hills Chrysler Technical Center they estimated to yield a $400K savings.

Michael Young, CEO of Grady Hospital recently commented he saved $60 million. One of the cost savings ideas was to implement Kronos system of payroll with fingerprint. He detailed that it saved the organization $7 million overnight with employees now having to punch in their timecard using their fingerprint. Makes you think!

When you do this, don't do what Bernie Ebbers did at WorldCom (before being convicted on all nine counts that he helped mastermind an $11 billion accounting fraud). The company was growing at fast rate of knots and then when the downturn came, he stopped the coffee in the break-rooms, thereby not providing anything more than water. The employees almost revolted and with that, the coffee was replenished and employees now could drink something more than water.

8. Make Sure you Do Business with Customers Who Will Pay

It never fails to amaze me the frequency of companies who do not perform adequate credit checks prior to making a sale. Yes, the sales person wants to make a sale, but this shouldn't be done at the detriment of making sure this is the kind of customer you want. Each time you sell to a customer who cannot pay, this costs you more. Ultimately you write off the cost of the sale and on top of that, you have incurred significant costs for the sales process itself and the collections efforts. Plus, you've incurred the additional costs of the logistics, administration and accounting functions involved to make the sale occur. Perform credit checks and to the best of your ability and the business risks you are prepared to undertake, minimize the surprises and costs of bad debt. As soon as you believe the customer cannot pay, halt the process. Not only is this an important element of your revenue recognition policy, but it affects your bottom line directly.

The art of a sale is to make it become cash. Look at your sales cycle and look for more ways to make sure your customer pays. High profile customers should hear from higher-level management so that if the awkward event of payment becoming an issue this isn't the first time they hear from "the boss". A strong relationship can often mean you are the company they will pay ahead of another.

In addition, make it easy for your customers to sign up and pay electronically, direct into your bank account. While there may be costs involved in customers pay, this can be accomplished by direct payment into your account at no cost to you. If your company is not used to electronic receipts and payments, begin this process with one or two larger customers and allow your internal staff to become familiar with setting-up the processes. Anything you can do to bring cash closer to your business is a WIN!

9. Reduce Your Borrowing Costs

A main element of business is not only to drive revenue but to drive cash. If your borrowing includes long- and short-term debt as well as working capital, then look to the elements of your borrowing and make sure your costs are as low as you can achieve. While the current economy makes it difficult to attain new loans with terrific terms, you can achieve a significant amount if you manage the cash flow from your working capital. Reduce your working capital cycle outflows and increase your working capital inflows.

Better still, manage the credit of your customers by negotiating terms with your customer and have the customer "prepay" for the business – this can only be a positive. W. Cliff Oxford, CEO of Entrepreneur Advisors comments that if you can do this, "You will have no borrowing costs, no factoring and great cash flow with more to the bottom line." Think of the impact this will have on your business. Oxford further comments, "Also, have a portfolio of products to sell multiple times to your customer with some items as recurring revenue." In other words, create the most of the sales cycle and reduce the sales process cycle by making a customer into a "repeat" customer.

10. Last but Not Least, Make Sure you Reconcile Key Account Balances

The Accounting function is a "check and balance" function for your company. Small businesses often tend to focus only on the income statement. Larger companies will focus on the balance sheet - doing so provides additional controls over your business. By reviewing your balance sheet, you focus on cash and the liquid elements of business operations. The more advanced companies place heavy focus on reserves, as this is a key area where the balance sheet can deteriorate, especially in poor economic times where short term asset values can diminish rapidly.

Apart from the aspects of creating good accounting controls within your organization, this is a crucial element of many aspects of your business – such as minimizing: focusing on cash and the cash cycle; the likelihood of wastage and unsellable inventory; bad debt in your sales cycle; paying bills late and incurring extra charges; but also in reducing the likelihood of theft, which often increases in a down economy, to name but a few reasons to perform accounting reconciliations. Whether you are a Fortune 1000 company or a 5-person company, you need to make sure you know your financial obligations now and in the future. Don't be lazy and allow surprises to happen!

Delaney Learning™

Join us for Monthly Half- and Full-Day Workshops

*"We take the basics of the accounting and the finance function and boil it down to **'what you really need to know to run your business,'** while getting into the detail of financial statements with case studies. We prepare you for the real world of growing your business and controlling what is important."*

Lorraine J. Chilvers, CEO, Delaney Consulting LLC

"Lorraine's ability to share her expertise was nothing short of amazing. Her knowledge of accounting practices proved to be insightful and thought provoking, and led to very stimulating conversation. Lorraine really has a knack for taking something I had always found to be quite boring and turned it into a very enjoyable learning experience.

Thank you Lorraine."

President, Paradise Arabians, Ltd.

Course Outline. . .

- Basics of Accounting & Finance
- Financial Statements & Controls
- Analytic Ratios
- Accounting Reconciliations
- Cash Accounting
- Accruals Accounting
- Revenue Recognition
- Accounts Receivable & Bad Debt
- Expense vs. Deferral & Capitalization
- Fixed Assets & Inventory
- Accounting Systems & Reporting
- Systems Implementations
- Additional topics of interest

When: First Thursday of the month

- Half-Day Learning -- 9-12 am
- Full Day Learning – 1-4pm (Additional afternoon session)

Where: Buckhead

How to Register: Email us at info@DelaneyLLC.com

Delaney Think-Tank™

Join us for our Monthly Think-Tanks (C-level only)

Call to CEOs – Why Attend?

"As the world-wide market impacts all aspects of your business, solid financial decision-making regarding your business is crucial for leading your company to growth and prosperity. CEOs are looking for strategic advice to keep their company moving forward. Being the one your company looks to for "the answer" can be un-nerving. Imagine the financial stability you could create if you had the confidential, unbiased feedback from other CEOs and business executives who have trodden that same path and learned from their battle-scars - combined with the expertise of a financial executive to help you make better decisions and grow your business profitability. Delaney Think-Tank™ is not just about executive development and peer-to-peer networking. As a member of a select invitation-only group, Delaney Think-Tank™ will serve as your personal "board of advisors," help you shape your creative ideas to avoid potential pitfalls, risks - and - hold you accountable for turning those ideas into financial growth."

Lorraine J. Chilvers, CEO, Delaney Consulting LLC

- C-level peer to peer "Board of Advisors"
- Confidential environment
- Discuss real issues you can't resolve alone
- Decipher the way forward for opportunities you are unable to tackle
- Learn from the best – those who have the battle scars
- Create strategies to grow profitably
- Have a partner to share your concerns for your business
- Develop long-term relations for the next decade

When: Second Thursday of every month
- 3-hour Think-Tank summit -- 2-5 pm
- Optional one-on-one sessions with Delaney are available

Where: Buckhead

How to Register: Email us at info@DelaneyLLC.com