



Inbox *Insights*

Where do we go from here? Developing a more agile company.

By John Kielich, CPA, CVA

Economic uncertainty continues to fill headlines. Companies that were considered to be unsinkable, like the Titanic, are floundering. The ripple effect felt from these falling giants has just started. So, how do companies persevere during these troubled times? The key is agility.

Successful companies will need to adapt quickly to both positive and negative changes in the marketplace. History tells us that the economy will recover, but it will look different. Business practices need to evolve and adapt as the economy rebounds. Does your business have the ability to change course? Below are some strategies that will help your company become more flexible so that as market conditions improve you are ready to hit the ground running.

Convert fixed costs to variable costs

Fixed costs are like an anchor on your company. As margins become thin, it is necessary to reduce expenses to align them with the current level of business activity. Review expenses and identify which fixed costs may be changed to variable costs. Examples include changing your company's salary structure to be more performance-based and outsourcing business functions such as human resources, IT and payroll.

Evaluate new distribution channels

Are there new or different ways that you can bring your product to market? Many companies are using e-commerce technology to reduce expenses as well as expand their customer base. In addition to utilizing websites, are there other ways that you can sell your product directly to your customer? Simplifying distribution channels will allow for better price management as additional markups will be eliminated.

Consider new markets

Expansion into new geographic markets is a way to increase business activity. As mentioned above, using your website for e-commerce will give you access to national and international markets. In addition to geographic expansion, are there other uses for your product that may introduce your company to a new customer base? An example of this is with PhoneTree. PhoneTree is a messaging and recall system that was developed to help churches and schools communicate when there was an emergency or a closing. The management at PhoneTree found that this type of communication tool would be great for the health care industry to remind patients about appointments or to bring in paperwork. Today, PhoneTree serves the health care, business, nonprofit and government sectors.

Plan

Don't let uncertainty and questions about the future persuade you not to plan. Now is a great time to develop or update your company's strategic plan. Your efforts should address the long term (three to five years) and sharply focus on the short term (6 to 12 months). With the drastic changes we have felt over the last year, it is time to revisit previous assumptions, assess strategies, and change course as necessary. The process of planning alone will serve as a benefit to your company because it requires management to work on the business versus in the business.

The measures that are taken to make your company more agile will help you weather these market conditions, seize opportunities that are presented as the economy improves and be ready for future changes. The Kolb+Co. M&A Partners team can help you implement these strategies. Contact John Kielich at 262-754-9400 or jkielich@kolbco.com.

