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Higher Profits and Fewer Worries in 2004

by Tim Smith, Principal with The Plaid Group

Inertia's a powerful thing. A few hundred years ago Sir Isaac Newton gave us his First Law of Motion – also known as the Law of Inertia. It basically says “things tend to keep on doing what they're doing.”

What does inertia have to do with your business? Well, if you and your employees keep doing what you're doing, next year's results will likely be, at best, the same as this year's. So, what will you do now to make 2004 a banner year for your company? More specifically, what steps are you taking now to enhance your company's performance, spur growth, and increase bottom line profits?

A Clear Plan: The Map to Your Goals

A good first step is to outline a plan to guide the company. Fast forward to 12 months from now. What's different? How is the company healthier and stronger?

Now, how do you make that vision reality? You can start by putting your goals on paper and reviewing them with your management team and other key employees. They can help you outline what the company will do over the next 12 months to reach those goals.

Cash Flow: The Lifeblood of Your Business

A reasonable second step is to focus on cash flow. It's no surprise that a business with strong cash flow can expand and thrive in good times and in bad. Here are a few ideas for boosting cash flow:

1. Analyze your company's expenses. How can you reduce fixed costs and control variable ones? Shop for lower insurance premiums. Refinance loans to take advantage of lower interest rates. Educate employees so that they know which variable costs chip away at company profits and their employment security.
2. Who owes you money? Analyze your current receivables list and work to bring past due accounts current. In addition, review policies and procedures for extending credit, especially to customers with spotty payment habits.
3. Get a jump on your spring cleaning. Liquidate excess inventory. Sell unnecessary assets such as machines you no longer use. Companies

often tie up substantial capital in slow moving and obsolete inventory. Annual inventory carrying costs can easily total as much as 25% of the inventory value. What did that cost you last year?

4. Consider obtaining a line of credit to help finance your company's growth. Review how your company's financial assets are invested. How liquid are they? What return do they provide?
5. Develop and stick to a realistic budget to keep your company on a good financial track.

What About Your Customers?

Already have your plans on paper and cash flow under control? You can get some great ideas from your customers. Ask them what they like and dislike about doing business with you. You can even survey former customers to find out why they left and work to remedy those problems.

Don't Forget Your Employees

Want your employees to support a few good changes? Ask them what they'd like to change – they can see things you don't. Talk with them about how work flows through the company – from department to department. What happens from the time customers call until they get what you promised **and** they've paid you for it? What's not working? Which mistakes cause missed, late, or incorrect orders? Which delays frustrate customers, employees, or vendors?

Next Step: Take Action

You should have at least a few things on your list by now. The next step is to form some teams to focus on making these changes. Don't forget to follow up regularly. Follow up keeps plans on track. It also lets everyone know that these efforts are important!

More Information? If you would like to learn more about this important topic, please send an E-mail to tim@plaidgroup.com, visit our web site at www.plaidgroup.com, or call us at 713-627-3569.

Author's Note: Tim Smith is a Principal with The Plaid Group. The Plaid Group helps companies simplify and stabilize their business operations to improve financial performance and gain a competitive edge. We share our FREE newsletter with you to showcase powerful tips, techniques, and ideas to help you improve the financial and operational results of your business.