

## LEADERSHIP

# Finding the Reality for Your Business

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As I alluded to in last month's column concerning planning for a reality check, you will find there is always a need to get back to the basics is critical during challenging times and growth periods. Do you know what your numbers are, and are you reviewing them weekly and monthly? Or, have you gotten your eye off the ball for a couple of months or longer? A couple of months can cost you, while longer can put you out of business or create a year's worth of damage.

It is inevitable that the busyness of life, with its many distractions and personal challenges, can cause us to take our eyes off the ball. It has happened to me in my career and it can be painful! The ball in business terms is key metrics / measurements. As mentioned last month, first and foremost, it is the profit and loss statement, balance sheet, marketing and sales numbers, job costing, job performance and morale of the team, which equals leadership.

If your sales are off, yet produced work is strong for the first four or five months of 2008, what does that tell you? First, sales were good in the last quarter of 2007 and maybe for early 2008. Second, production is going to be slow for the latter part of the second quarter and for most of the third quarter. There is a delayed effect depending on the size of the jobs. The type of jobs you perform will determine the lag time. Depending on how far sales are off, you will have to tighten up on expenses or actually layoff some production staff and, possibly, an underperforming salesperson and /or office staff. Remember, numbers don't lie but, due to owners / entrepreneurs being optimistic, we are many times too slow to make these tough changes.

If you have new or mature sales people, many don't follow a set system or haven't worked on their skills lately. There is a huge opportunity here - you could be missing 30-50 percent or more in sales because of this alone. Don't assume. Dig in and evaluate the situation. Many times in a tough economy the sales team's attitude decreases, which affects sales tremendously. Maybe sales are off 15 percent because of the economy and 20 percent because of bad attitudes and failure of the sales team to work on improving skills. While your closing ratio is one indicator, actually observing the sales team in action, or independently calling prospective clients to take their pulse can help you get a better understanding of the situation. My father, who built many local and national companies, said "inspect what you expect". Right now, more of you are facing challenging times than growth, so this is even more important to do now.

The reality is many of you will have to adjust your business plan and review objectives now, or not be in business in six months. Maybe one positive way to look at this and to help adjust your mind and emotions for your current reality is to remind yourself that "you made money at lower volumes before and you can do it now". The journey of tough decisions may not be attractive, but it is better than the alternative, which could mean everyone loses their job, including the owner, and the owner also loses his or her investment. Obviously there are many other key metrics to look at - don't stop with the few I have shared. Find reality and make the needed adjustments.

Two final thoughts:

First, during these times it is tempting to estimate jobs with too much optimism, meaning normally it takes sixty hours for the installation of the cabinets in a particular job, but you might justify that “I think we can do it in forty hours because that will win us the job.”

This is a trap and the vast majority of people who employ this strategy lose.

Second, and I cannot stress this enough, no matter how connected you or I feel to our staff and our desire for things to be perfect, life and especially business are never going to be perfect. It can be so obvious at times and, with others, we are blind to this truth that we live in an imperfect world as imperfect people. (I know this may come as a shock to some ☺; a little levity is needed during these times.) This is a reality we must accept, thus enabling us to respond appropriately, and with a reasonable investment time and effort. I’m not saying cutting expenses and laying off people are an easy thing to do. It is not, but it is doable. On the other hand, if you and I don’t accept the hard realities and truth about our business, then, one day, they will come crashing in on us with a force that can cripple us for some time. Find out your current business reality and respond proactively. Ultimately it is the best for all involved!