

## Managing Your Business in Difficult Economic Times

By Gary Turnquist, Blanski Peter Kronlage & Zoch, P.A.

In today's economic environment, it is more important than ever for management to focus on the productivity of its manufacturing and administrative team, monitor the significant controllable costs and manage cash flow.

Begin the process by identifying the most important key performance measures to your financial health, clients and team members. Financial measures may include set up time, productivity, job profitability, product profitability, customer profitability, accounts receivable ageing, work in process and other factors affecting financial outcomes.

Performance measures important to your customers may include quality measures, delivery times and service issues that impact their satisfaction.

Retaining key employees is increasingly important. If a raise or bonus isn't possible, find out what your employees value—do they want more flex time? The option to work remotely? Perhaps they desire better communication with management and want to feel a part of the team. Money is only one means of showing your employees you value and appreciate them.

If it is financially necessary to reduce expenses by reducing the number of employees, it's imperative that management also identify processes critical to the company and its customers. Secondly, the company should utilize the same methods it uses to review

and improve processes on the manufacturing floor to review and improve processes within the administrative functions. Most companies can realize sizeable financial benefits by streamlining administrative functions and therefore reducing the overhead and cash requirements. Sometimes the necessity to reduce the number of employees results in a company finding ways to do things more efficiently and effectively.

What is important should be managed, and what is measured can be managed and improved. Once the key performance measures are identified, determine ways to measure them, track the trends and communicate the results to team members. There can be extraordinary financial improvement results from this exercise. The key is to focus on the trends of the measures and how they compare to the company's established benchmark goals.

Controlling expenses can often bring immediate results, although it is rarely a long-term solution. Evaluate controllable or discretionary expenses to determine if the return on the investment of the expense justifies the continued outlay of cash resources. Also, consider delaying expenditures until the financial situation improves.

There is a saying, "cash is king." Today, that philosophy is more important than ever. Focus on credit policies for both new and existing customers. Sales are always important, but not if the customers are unable to pay. Companies run the risk of outlaying cash for materials and labor, only to find out later that their customers are unable to pay. This is a double cash drain to the company. Now is an excellent time to review the legal aspects of your purchase orders, contracts, invoices, etc., in order to strengthen your position relative to collecting for products produced and services rendered. Also, review internal billing and collection processes in order to identify ways to shorten the timeline between when services are performed and cash is collected. You should also consider talking with your vendors to see if they will work with you on payment options.

Managing these areas will benefit your organization during the expected tough times ahead and into the future.

*Gary Turnquist, CPA, is a shareholder at Blanski Peter Kronlage & Zoch, P.A. — Certified Public Accountants and Consultants. Gary is the firm's manufacturing practice group leader and leads the firm's Business Process and Profit Improvement Services, focusing on internal controls analysis and operational assessments to help clients improve their efficiency and profitability. Gary can be reached at 763.46.6211 or gturnquist@bpkz.com.*

**It is likely that a proposal to increase business property taxes over and above the already projected statewide increase of 8% for 2009 will be on the legislative agenda again this year.**

Now is *not* the time to increase taxes on the members of Minnesota's precision manufacturing industry—one of our state's best job creators!

It is important that the businesses who must pay these taxes—along with any additional increases—fully understand Minnesota's dual system of taxing commercial and industrial property.

**Visit [www.mpma.com](http://www.mpma.com) to learn more.**