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Eyes on Business

Big change is necessary to ensure your survival

It's time to embrace the inevitable, position yourself for the recovery

Premium content from Sacramento Business Journal - by Larry Mandelberg, Correspondent

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Enough is enough. It's time to accept the fact that you need to take a long, hard look at your sources of income and give serious consideration to their dependability.

Stop hoping your company will survive this economic crisis without making the necessary and painful changes you know you need to make.

In his book "Get Slightly Famous," Steve Van Yoder wrote: "This is the turning point for the 'greed is good' ethos of the past few decades. The public's acceptance of aggressive, self-serving business practices is waning. In its place, consumers seek businesses that embrace classic virtues based on trust, good citizenship and civic responsibility, a trend that promises to intensify in the coming years."

Tough times call for change, something rarely done with joyful anticipation. I always ask my students if they believe people like change or not and they always answer, "No, people don't like change," to which I always reply, "Everyone loves change so long as it's change they're imposing on someone else. When someone else's change is imposed on them, they hate it."

Perspective and advice

Every month I invite about 500 of my closest colleagues to offer their comments and insights. This month I clearly struck a nerve, getting more feedback than ever before.

Here are some of the comments I received.

From Rick Fowler, president and chief executive officer of The Community College Foundation: "The rapid collapse of the hyper-leveraged U.S. economy has stunned people who thought the boom period was their normal. Worse, many of them are frozen into inaction, waiting and hoping for this 'aberration' to pass. Things will never be the same again."

From Dave Barnhart, principal of Business Blogging Pros: "It's time to think of this as an once-in-a-lifetime opportunity. The new rules of marketing and PR involve using tools like blogs, **Twitter** and **Facebook** to build our brands and grow our businesses. These tools are free, or nearly so. And the (return on investment) on 'nearly free' is 'nearly infinite.' "

From David Lowe, general manager of KVIE Channel 6: "If your team is stuck determining what changes to make, don't just think about your own company. Think about being a part of a new startup company whose sole purpose is to knock you off. How would they organize? What products would they market? How would they price? Then be that company."

Pretend it's turnaround time

If you are beginning to feel as if the ground you are standing on is a bit unstable, make no mistake — you're right. In fact, the model for the business climate most of us are facing is similar to a turnaround situation. Whether your situation is dire or not, approaching the current environment with a turnaround mindset can be very helpful and productive.

Gene Pepper is a turnaround specialist whose recently published book "How to Save your Business and Make it Grow" is full of insights and advice on this timely topic. According to Gene, now is the time to "blow up your old business model and create a new one based on the business your customers want you to be in." He also says now is the time to "spend more time face to face with your customers than ever before. Ask questions and listen to the answers."

Many truths that apply to turnaround situations are relevant and valuable right now. For example, today's problems did not jump out like a jack in the box; they've been festering for some time. Denial of these problems will eventually be the Achilles' heel of your demise.

Financial controls, the most basic obligation of good management, are another critical area where far too many substantial businesses drop the ball. Cost accounting systems are uncommon. Those that exist typically fail to include basic elements because they are camouflaged. For example, a building or piece of equipment that's paid for and therefore ignored from a cost perspective still has a residual cost that cannot be fully offset with depreciation. These failures lead to inadequate reserves when cash flow slows and the need for investment is greatest.

What to do

Customer focus is critical for every organization interested in long-term survival. The aging Generation X and Generation Y populations are coming fast. There are 78 million GenYers, more than the 71 million baby boomers. If you don't have an Internet presence, you can't get to them.

An organization is nothing more than the accumulation of its customers. You need to think of these next generations as being critical components of your market. Be courageous, end the denial and embrace the future. It's a brave new world and those that welcome change will reap the rewards.

It's time to ask yourself a question: What explosive action steps must I take now, not tomorrow, not next week or next month, but now, to improve my business?

When you are ready to accept the fact that major change is inevitable for survival as well as the key to creating competitive advantages in the weeks, months and years to come, you will have made that first step toward being in the front of the pack as the economy slowly starts to get healthy again.

sacramento@bizjournals.com