

Maintaining Sustainable Profitability



Collaboration

business consulting

www.Collaboration-llc.com

Maintaining Sustainable Profitability

Recession. Inflation. Supply Chain Disruptions. Global Geopolitical Conflicts.

As consumer spending becomes increasingly cautious, business owners worry about their company's viability. No matter which way the economic market is ebbing and flowing, business owners must instill best practices and processes to ensure their company can maintain sustainable profitability.

Cracks are forming in the U.S. economy and business owners need to stop and look at their profitability. Conduct a health check on the business to answer the question — “how well are we really doing?” Doing this in regular intervals can help businesses maintain sustainable profitability in both good and bad times.

Take action today to protect your company, and consistently perform these actions to weather any economic storm. Focusing on critical thinking, consistency, and assessing the ‘true’ state of your organization will anchor a company on solid ground.



Health Check: Questions to Ponder at Your Next Leadership Meeting

*How can we
manage a market
downturn?*

*How strong is our
foundation?*

*Can we sustain
growth at our
current pace?*

Assess Where You Stand

Now that the economic climate is firmly in the “challenging times” category, analyze your company’s strength and perform an assessment. Our approach is to implement our Scalable Growth Model™, which was developed to help organizations create sustainable, profitable growth by strengthening a company’s infrastructure, instilling methodical growth strategies, and supporting leadership development.

The Scalable Growth Model™ asks leaders to turn their focus to three key areas:

INTENTIONAL INFRASTRUCTURE

Financial Stability

Where can you trim your expenses or renegotiate pricing with vendors?

How much debt do you carry, and where?

Can you aggressively pay off your debt?

Do you have a line of credit set up?

How much cash must you have in reserve to continue operations for six months without any income?

Consider looking at your revenue and expenses using a rolling 12-month average. This may allow you to catch a downturn before it happens.

Strategic Planning

Is there a strategic plan in place?

Are there contingencies built-in for down times?

Efficiencies

Can technology make processes more efficient?

Are communication and meeting structures efficient?

METHODICAL GROWTH

Stability of client base

If your organization is affected by a downturn, so too will your clients. Stay informed about the financial trajectory in their sectors to forecast how your business may be affected.

Are there competitors you should be aware of or technology that may disrupt your business?

What is the profitability of all your products and services — should you transition some products and services that are low-selling or less profitable?

When was the last time you focused on connecting with your clients, determining how they and their business is doing?

To ensure your profitability throughout the ups and downs of the various economic cycles:

Is it time for a price increase so that you have some flexibility in a downturn?

Re-evaluate your lead generation activities. Most growing businesses have 7–10 penetration tactics to increase their exposure and bring in new leads.

COLLABORATIVE LEADERSHIP

Stability of Marketplace

Your role is to look forward and consistently evaluate key recession indicators, as fluctuations in these categories can signal an impending recession:

- Unemployment Rate
- Yield Curve
- The ISM Manufacturing Index
- Consumer Sentiment

In addition to evaluating trends, you should think about what are your triggers to make a change.

Stability of Employees

Are you able to attract and retain strong employees?

What is the job market like in your community?

Have you identified your top performers vs. low performers?

Who should you grow or who should you let go?

Is everyone on your team a good fit? Are they getting along well?

Critical Thinking

Are you and your management team critically looking at all areas of your business, or are you feeling comfortable based on the current market growth?



Develop a Proactive Strategy

Developing a proactive strategy to address gaps or changes you should be doing now in your business, as well as understanding your alert triggers, will boost the health of your business and give it the necessary tools to maintain sustainability in the long-term.

Ask yourself and your team:

- If the business continues to grow at the same pace, what will happen to the organization a year from now? Three years from now? Five years from now?
- If the business dips by 30%, what will happen to the organization a year from now? Three years from now? Five years from now?

“Don’t make this an individual effort, involve your team to get better results.”

- Michael Gunther



Finding the answers to these questions and building strategies around them means you have a proactive sustainability strategy.

Creating a team of critical thinkers who possess an optimistically pessimistic viewpoint will help organizations get ahead of the curve and remain proactive vs. reactive.



What is Your Action Plan?

The action plan is the final step of your proactive strategy that will literally put tactics into motion that will keep the company stable. No matter what your action plan is, you need to:

- **Know when to implement the plan**
 - Recall the alert triggers you identified; when your company reaches predetermined thresholds in specific categories, it is time to enact the proactive strategy
- **Have it ready to go**
 - The action plan must be a detailed step-by-step guide that is created before it is needed so that it is ready to implement immediately

Planning for stability and sustainability means making tough decisions and instilling triggers that alert you when action is needed.

Evaluate where your company is at currently and learn how to sustain growth or manage a market downturn without negatively affecting your business' foundation.



The Bottom Line

Companies that can maintain sustainable profits are the ones who plan for the worst and immediately take action. Strong leaders will stand up with an outlook of how to thrive, not just survive. Innovation and attitude can help shape your business' future just as much as proactive strategies will.

It's not too late to protect your business. Conduct the exercises outlined here to identify soft spots and create a proactive plan to continuously move forward.



Give us a call at (805) 541-9040 or email us at info@collaboration-llc.com. We can evaluate where your company is at currently and learn how to sustain growth or manage a market downturn without negatively affecting your business' foundation.