# Are You Heading For Trouble?

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The subject is real. Trouble is on the minds of some business owners because of today's economy. And it should be in the case of many others.

What is Trouble? The dictionary definition — "A state of distress, danger, affliction, or need." Certainly distress — certainly a need to get help.

Trouble can come from a variety of circumstances. The obvious signs are rarely the root cause of the problem. Losing money isn't the problem; it is the result of other problems.

The owners or top management often know, but hesitate and wait too long to admit that a situation exists—perhaps because they must admit failure or guilt; perhaps because of "Founders Syndrome," where they believe that only they can run the company. The longer they wait to get help the harder it is to fix.

I ask my clients how they compare with 10 Early Warning Signs.

**Is the owner or top management over-extended?** Whose work are they doing? When you continue to do work that should be done by others after the business has grown to a complex level, you are over-extended. They should do the work for which no one else is qualified.

Delegation is the key to dealing with over-extension. Define the owner's and key managers' jobs to clarify role responsibility. Assess subordinates' competence. Retain if appropriate. Replace if not. Monitor key metrics to stay informed about conditions without being immersed in them.

**Is the turnover rate excessive?** A sure sign of underlying problems. It can result from a poor hiring process, inadequate training, poor management—the list continues. The cost of ignoring this problem is high, in terms of low morale, lost wages, recruiting costs, lack of productivity, and lost business.

You must uncover the real causes and rectify them. Clearly define job responsibilities, performance expectations, rewards, and scope of authority. Concentrate management attention at several levels to new employees and those moving to new positions during the initial days of the assignment.

**Are communications effective?** Ineffective meetings, management information, or interdepartmental coordination can destroy a business as it grows. “Bull Sessions” where little is accomplished is the fault of the leader.

Limit scope of topics. Establish an agenda with specific adjournment time and stick to it. Limit participants—not everyone needs to be involved in all topics. Demonstrate organization by managing meetings and your people will demonstrate it by managing your company.

**Are compensation and incentive programs yielding satisfactory results?** While it seems obvious that programs should clearly and directly reward for successful job performance, it is remarkable that many businesses unwittingly set up compensation structures that reward performance altogether different from that outlined in the job description. Be careful what you pay for—you might just get it.

Managers paid incentives based on gross margin can be more effective than those paid on gross sales; they share the burden of poor performance and are more likely to take corrective action with substandard performers.

**Are goals clearly articulated and agreed upon?** A chronic failure to achieve stated business goals suggests a problem far deeper than lack of performance. It often suggests a lack of clarity about the owner’s goals. Business and personal goals must be in sink. It often indicates a failure to get management team “buy in.”

Take a hard look at the goal-setting process. Set goals and hold managers accountable for success. If you can't step back and play the skeptic , thegoals have no substance and the team will suffer from an inability to achieve them.

**Are any key client relationships deteriorating?** Determine if lower levels of business from longtime customers is due to poor market conditions in their industry or poor service from you. Most probably, you may no longer be meeting the customer's needs. Worst of all, you may not know.

Manage customer relationships. Customer needs change. Give specific responsibility for nurturing relationships to all levels of management, not just the sales force.

**Is the operation able to win new business at expected levels?** If not, you are out of touch with the marketplace. High prices, nonresponsive proposals, giving more than is asked for are common reasons for loosing bids.

Commitment to winning new business is essential. Identify targets early, influence where possible, and understand customer needs. Bid to win, then manage for profit and growth.

**Are markets and competitors being properly analyzed?** Disciplined analysis is often resisted. Products or services developed before market needs are assessed become "products in search of markets." It's a lot less expensive to create awareness of a product or service that meets an existing demand, than developing a market.

Identify how your key competencies satisfy customer need and produce benefit. Have your team pretend that it is the competition, with the task of identifying the strategy that you, the competitor, should pursue.

**Are financial and management reports accurate, timely, and pertinent?** Many businesses are managed on the basis of P/L performance rather than on the basis of cash flow, or new business generated. Cash flow is the best indicator of a business' health.

Information is often at the wrong level for management to be aware of what is happening in their operations. Prepare forecasts and manage to them. Determine performance at each level of the business and update often.

**Does the operation have a track record of failed expansion plans?** Set backs drain cash, time and morale. When companies fail in one effort, they tend to "pull in their horns" the next time out, and end up suppressing hopes of growth expansion. Efforts fail because of inadequate cash, management, thorough market analysis, or improper control systems.

Managers who run independent or remote operations must be adept at problem solving, decision making, team building, and managerial analysis; skills which are not obvious.

Understand why you are successful in your present marketplace and try to "model" those conditions in a new marketplace.

The signs aren't always neon and blinking—but they are there if you look for them. The trick is to recognize them and then do something about them. It is seldom just one early warning sign, but often two or three. The obvious signs of trouble frequently are the by-products or symptoms. Getting to the real issues is the catalyst to change and recovery.

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