

## 16 Years, 16 Best Practices

In The O'Connor Group's sixteen-year history, we have worked with many clients, all of whom have had challenges – some more than others. In recognition of our 16th year, we'd like to pass along 16 observations that have not only helped businesses survive, but thrive.

1. **Objectivity is key to seeing a true picture of your situation.** As the saying goes, denial isn't just a river in Egypt. Many companies experiencing difficulty tend to write it off as a temporary problem with a simple solution. When this fails to provide a fix, a second one is offered, then another, etc. A third party is often needed to break this cycle and identify and address the root problems.
2. **In business, as in life, the sooner a problem is addressed, the more options there are to fix it.** We have had clients experience prolonged negative cash flow, and they failed to address this soon enough. As a result, liquidity deteriorated, damaged supplier relations and threatened the ability to fund payroll.
3. **There is power in simplicity.** Management teams sometimes embrace complexity – in production processes, corporate structure, or pricing models. While sometimes this is unavoidable, we encourage clients to consider the simple approach first.
4. **Change is difficult** – it is a basic tenet of human nature. It is very hard for companies to recognize the need to embark on true change. While, the easier course is to make cosmetic changes that give the impression of change, they often do not go far enough to produce results.
5. **Increasing revenue is not necessarily the answer to a company's struggles.** Problems often come to light when revenue declines, so, the reasoning goes, increasing revenue will solve these problems. However, when management focuses solely on increasing revenue, margins inevitably decline.
6. **The quality of revenue is critical.** Additional revenue should improve the bottom line as well as the top line. Every customer, product, or service is not equal – some are more profitable than others. Every company has individual offerings that lose money, but success depends on identifying them and adjusting in a timely manner.

7. **More debt is almost never the solution.** It is tempting to take advantage of today's low interest rates and borrow money. Additional debt can hide problems by giving a temporary boost to liquidity.
8. **Today's information systems capture massive amounts of data, but often provide "canned" reporting.** These reports may become less useful over time as a company grows and changes. Converting and utilizing data is an extremely powerful tool. It can rapidly improve performance, or, alternatively, can transform a company from an innovative market leader to an also-ran.
9. **Businesses need to know themselves** – a periodic SWOT analysis is a valuable exercise. Every company needs to regularly conduct honest and objective appraisals of Strengths, Weaknesses, Opportunities, and Threats so management can assess its own performance.
10. **Companies should forecast cash flow,** which is the truest indicator of performance. Variances to projections can be very illuminating and provide management the most accurate picture of the company. They are the true drivers of profitability.
11. **Relevant goals should be set for employees, business units, production lines, etc.** Goals need to be communicated to those responsible for the results, with regular feedback given.
12. **When setting and measuring goals, time frames must be considered.** Define short and long term goals to set realistic expectations. It often takes years for problems to emerge, so be realistic about how long it may take to turn them around.
13. **A company is an interrelated collection of cash flows** – this is an essential way of evaluating any business. But, it is much more than that. It is also a collection of people, each with his/her own strengths and weaknesses.
14. **Low performance = low morale.** Shipping and production see lower volumes, salespeople have fewer calls, customer service receives more complaints, and/or accounts payable receive calls from suppliers who have not been paid. Without the right communication from management, employees will imagine the worst.

- 15. Headcount reduction may be necessary.** When it is, it is better to have one significant reduction instead of several small ones. This allows remaining employees to concentrate on doing their jobs, instead of losing them.
- 16. Share your action plan with employees.** The books don't need to be opened, of course, but employees want to know there is a plan in place to improve things. Creditors will also value seeing a credible plan that maximizes the likelihood of them getting paid.

To learn more about how The O'Connor Group can lay the foundation for your company's future success, please contact **781-275-2423** or [info@theoconnorgroup.com](mailto:info@theoconnorgroup.com)

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