

Survival tips during difficult economic times

Dan Rupar for *Progressive Dairyman*

This article was conceived to be business tips to implement during the economic recovery. Unfortunately, the word "recovery" appears to be misplaced and too optimistic. Recent economic news on the national front and anecdotal news from our clients indicate the economy has not yet reached the stage of recovery. There still appears to be a flat line or even a continuing downturn in the economy. This may continue for some time as the deleveraging cycle continues and the economy continues to be impacted by the mortgage debacle.

We are hearing from our clients about survival and retrenchment. In isolated instances we are hearing about opportunity that has been created by the changing market. Some sectors of the economy are quietly flourishing. Where opportunity is created in a down economy is from strength of balance sheet and the implementation of difficult decisions.

The overriding theme in these times is to "be conservative with debt." The cleaner the balance sheet, the stronger the business in tough times. That is not very profound, but as simple as it sounds, it is difficult to implement. Every effort should be made to maintain a strong cash position. This allows for strategic purchases, whether of land, cattle, feed or other struggling farms or complementary businesses. As others falter, you will be in a position to strengthen your business.

Our clients that have a high level of debt are working aggressively to pay it down. But in paying down debt, maintain good relationships with your lenders. Credit has tightened up tremendously and the increase in banking regulation no longer allows your banker to exercise much discretion or act as a partner with your business. If you need funds for growth, you may have to think creatively to access funds. This may entail private investment or lending.

If you have great employees, work hard to keep them. If you have mediocre employees, this is a time to upgrade. There are many good people looking for employment and this is a time to evaluate your current employees and upgrade where needed. With your great employees, treat them fairly and well during tough times and you will create loyal, motivated employees to fuel your future growth.

This is a time to focus on outstanding customer service. You should have regular contact with your customers and make sure you are doing everything possible to keep the customer happy and make every interaction a positive interaction. The times of "take or leave it" are past, because customers have options in a down economy.

Cash flow management is another key piece of staying healthy in a down economy. Close management of inventory and receivables to increase cash flow is

something successful businesses are working on very hard. Flexibility on payment terms with customers and an understanding of each individual situation can build loyalty, but in being good to your customers, do not put your business at risk. Be very diligent in collecting any accounts that are beginning to age. If you have good cash flow, take this opportunity to add good people, new equipment, more land and other items that will improve your business. Many vendors will be very appreciative of your business and you might find very favorable pricing.

Be willing to adapt to change. The business model you have been operating under may require a subtle or a dramatic shift in the current economy. Be open to diversifying into complementary businesses. A down economy is the time to sit down and do some honest strategic planning for the future. Use the past as a history lesson in what has worked and what has failed, but in strategic planning, look towards the future. Just because it worked in the past does not mean it will continue to work.

Unfortunately, it still looks like there is a long road ahead before the economy pulls out of its current malaise. There are pockets of success and strong businesses, but many continue to struggle. Those that are making money appear fearful of spending it, or in growing their businesses because of the uncertainty of government regulation and the tax system. But for those with strong balance sheets, a down economy creates opportunities to enhance and grow the business. The key is acting with diligence and care while working hard to maintain a clean balance sheet. Basically, be good, be careful, keep your eye on the ball and be alert and aware of opportunities that may arise out of the difficulties of others. **PD**





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