

A WELL-DESERVED TIP OF THE HAT

This has been a very busy consulting year, not only with network agencies, but some who I had never worked with before. With client budgets being reduced we find ourselves back in the same situation we experienced in the last recession. Agency owners seem to have learned from the last economic downturn in 2001-2003 and are handling it better.

I tip my hat to them.

I see more people working on their businesses than working in them. Owners learned the last time around they need to make corrections now, rather than later. It seems now they are committed to preserving hard-earned profits instead of doing the same old thing and pumping funds down the proverbial rat hole.

Because they experienced a downturn, they move immediately to shorten staff work weeks or even reduce salaries by as much as 20%. They learned not to keep paying for staff that doesn't have enough work to do. They learned that the work available will expand to the time available. They learned that almost always, the agency gets the work done with fewer people. And, if they have more than the smaller group can handle, they hire contractors on a fixed price basis to do the work.

Planning seems to be more conservative and on target. Although clients have cancelled fees and cut back on projects, agency owners are much more pragmatic about recognizing the short fall in cash flow. They operate on reality, and not pie-in-the-sky hope.

What I've witnessed most is the lack of panic. Yes, there is deep concern, but owners are willing to make the hard decisions. They understand their financial position better and will do what is necessary to save the hard-earned profits from last year or the year before. They just aren't willing to invest tens of thousands of dollars any more.

They've taken the advice to cut costs now. They know that playing the waiting game is incredibly costly. This is going to be a long recession so owners have become predatory. They hunt out waste and eliminate it. They take the steps to become more cost efficient. And, they know that the biggest expense they face is payroll and benefits. They attack payroll expense first. It isn't easy, but they learned from the past. They take the necessary steps to reorganize, change their business model and evaluate every staff member.

You know, as well as I do, that those who wait to make the moves will be hurt the most. Waiting could mean virtually starting over to build retained earnings and a good liquidity position.

The best thing that happens in a period of change like this recession is the opportunity it affords all of us to take a good look at what we are doing and how we are doing it. As I've said before, "opportunity begins with 'r'".