



## Six Ways to Leverage the Improving Economy

Arthur F. Rothberg, Managing Director, CFO Edge, LLC

The start of 2014 feels a little bit different than the past few years for many Los Angeles and Southern California business owners and executives. For the first time since before the financial crisis, there appears to be significant optimism among many owners and entrepreneurs as business conditions improve and some economic indicators start to point in a positive direction.

Given these developments, there is an increasing sense of urgency among many business leaders to start up new initiatives in the new year in order to take advantage of an improving business climate — and not be left behind by competitors that are moving forward. When you look back at previous economic downturns and the recoveries that inevitably followed, it is apparent that the businesses that were first out of the gate when the rebound began are often the ones that went on to enjoy sustained growth and success during the years — and sometimes over the decades — that followed.

Therefore, now might be a good time for you to give some thought to how you can take advantage of the improving business climate in order to grow, expand and create more value in your company. If asked, few owners would say that they are not planning to grow their businesses this year. But when pushed, many would probably admit that they don't have a concrete plan in place to make this happen.

### What Will You Do Differently?

Start by asking a simple question: “What are we going to do *differently* this year?” If you aren't planning some changes to “business as usual” this year, it will be difficult — if not impossible — to take advantage of opportunities that may present themselves in an improving overall economy.

Here are six suggestions for ways you might be able to do things a little bit differently in order to grow your business this year:

- 1. Focus attention on *quality* marketing initiatives that deliver results.** When it comes to marketing, many companies make the mistake of failing to measure results and find out what's actually working — and what isn't. Any marketing initiatives you undertake should be trackable. Then, based on the results of their measurements, you can make better decisions about marketing expenditures that will result in the highest ROI.
- 2. Spend *less* time with less profitable customers.** Everyone knows the 80/20 rule: Eighty percent of a business' profits come from 20 percent of its customers. But have you taken the time to identify your most profitable customers? If not, you're probably spending an inordinate amount of time with a high percentage of customers who are not delivering maximum profits.
- 3. Challenge internal assumptions.** The six most dangerous words in business just might be: “We've always done it that way.” But it's easy for employees to fall into ruts and routines based on assumptions

that they are doing things in the most efficient way possible. You should challenge employees to look at internal processes and procedures in a new light and with a fresh perspective, with the goal of increasing efficiency, reducing costs, shortening turnaround time and improving overall quality.

**4. Look for attractive acquisition targets.** A merger or acquisition is often the fastest route to growth, and the improving economic environment may present attractive M&A opportunities. Be extremely careful, though, in moving forward with any planned mergers or acquisitions, as there are myriad pitfalls awaiting the unwary. Expert assistance is essential for any company venturing into M&A waters, but especially one wading in for the first time.

**5. Increase production capacity.** This is another way to grow your businesses in the new year. But boosting production capacity must be done very deliberately and strategically. A detailed pro forma should be prepared that factors in the cost of the new equipment and labor that will be required, how equipment will be financed, and the increased revenue that can be expected so that potential ROI on the expansion can be forecast.

**6. Launch new product lines and open new branches.** This is a similar growth strategy to boosting production capacity. Market research should be conducted to support any decisions made before investing the resources required to launch new products or open new stores or locations.

### **Concluding Thoughts**

For the first time since before the financial crisis, there appears to be significant optimism among many owners and entrepreneurs as business conditions improve and some economic indicators start to point in a positive direction. There is an increasing sense of urgency by some owners to start up new initiatives in the new year to take advantage of this improving business climate. This might make now a good time for you to take advantage of the improving business climate to grow your company. An outsourced CFO services provider can play an invaluable role in helping you achieve your growth objectives in the new year — and beyond.

### **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives in Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 ext 101.

This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. CFO Edge, LLC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity who relies on this publication.