



Book Austerity Business

39 Tips for Doing More with Less

Alex Pratt
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Recommendation

Business always has run in cycles, from exhilarating highs to devastating lows. Monetary tremors typically register somewhere in the middle range, but every so often, tectonic financial plates shift worldwide, creating permanent change. Scarcely any entity has emerged unscathed from the international economic crisis that began in 2008 and that continues to wreak havoc. Pretending that things will one day “return to normal” means denying reality, insists Alex Pratt, a veteran entrepreneur. He believes business must adopt a new philosophy in this “age of austerity,” when there’s less money, reduced workforces and smaller appetites for risk. He calls for businesses to return to the fundamentals: intelligent spending, informed decisions, smart staffing and first-rate customer service. Yes, current economic conditions have created hesitancy and insecurity, but now is your opportunity to formulate a strategy and execute an action plan that will help ensure your survival and, perhaps, lead to prosperity. Pratt’s “39 tips” occasionally overlap and intersect. But that quibble aside, *BooksInShort* believes Pratt’s approach has utility and validity. Like it or not, austerity is here to stay. Get used to it.

Take-Aways

- The old ways of doing business don’t work anymore.
- Difficult economic circumstances can present rare opportunities.
- Leaders should make tough decisions – especially in troubled times.
- Cultivate employees who strengthen your organization; get rid of those who weaken it.
- In trying to save money, never cheat your customers. You may lose them forever.
- Austere times call for aggressive promotion. Increase your marketing and advertising.
- Nothing is more important to your business than its reputation. Guard it with your life.
- Change makes most people uncomfortable, but it’s a fact of life in the age of austerity.
- Don’t take your suppliers for granted. Develop a mutually beneficial relationship.
- Eliminate the possibility of unpleasant surprises. Identify your vulnerabilities and have a plan for worst-case scenarios.

Summary

A New Way of Doing Business

There’s no use looking wistfully through your rearview mirror – the global financial crisis that took hold in 2008 has created fundamental changes. The fall of giants such as Lehman Brothers represents the crumbling of corporate pillars once thought indestructible. The factors that traumatized the economy include skyrocketing personal and institutional debt, the mortgage meltdown, bankruptcies, foreclosures and unemployment.

“The old period of plenty is dead. A sustained era of austerity is upon us.”

Prosperity has given way to austerity. The old way of doing business no longer is viable. From the corporate CEO to the owner of the neighborhood grocery store, businesspeople have become more deliberate and conservative. Everyone scrutinizes the bottom line. Though economic recovery is likely, things never will return to the way they were, so smart businesspeople must recognize the opportunity to devise a new philosophy and embrace change.

A Mandate for Change

Most people fear change, especially when they’ve been operating a certain way for a long time. A big gap yawns between recognizing the need for change and actually executing it. During the era of prosperity, the focus was on growth and market dominance. Affected by “gorging on cheap debt,” many businesses became enamored with expansion and ignored critical operational components such as cash flow, profit and customer service. Businesses now must alter their mindset and recognize the importance of these basic elements. While change can be uncomfortable, maintaining the status quo in this day and age may be disastrous. Holding on to old beliefs and philosophies amounts to living in a fantasy world.

Look for Opportunity

Austerity means “doing more with less.” Employees are willing to work for less and to sacrifice benefits for job security. Lenders have toughened their standards. Money is tight. Consumers carefully weigh every purchase. Economic uncertainty makes everyone more cautious. Nevertheless, businesses must be able to recognize opportunities. Bold action often pays huge dividends. A company that sinks money into advertising when its competitors are retreating, for instance, could emerge as a big winner. Remember that Google, Burger King and FedEx were born during difficult times.

There’s No I in Team

Don’t deny reality. Admit that your business is struggling and needs to regroup. Don’t wallow in despair. Maintain your optimism and remember that others depend on your leadership. Deal honestly with your employees, keep the lines of communication open and don’t be afraid to admit that you don’t have all the answers. The age of austerity requires cooperation from everyone in your organization. Managers must transmit the vision of the top executives. To present a united front, your employees must put aside petty differences and work together, now more than ever.

Time to Excel

Even in good times, managers and employees will say they are overwhelmed and don’t have enough time to tend to their responsibilities. Nowadays, those who “plead time poverty” are setting themselves up for failure. They are creating built-in excuses and admitting that they can’t cope. In the age of austerity, the most valuable employees are those who relish challenges and adopt a “can do” attitude. Instead of complaining about lack of time, they focus on their tasks and do the best they can without moaning and groaning. Obsessing about the past and fretting about the future are exercises in futility. All you have is the present, so make the best of it.

Character Counts

The new austerity casts your organization’s personnel in a new light. Your “musketeers” will enthusiastically embrace challenges and make the necessary sacrifices. Your “mercenaries” will do no more than what is expected of them and will resist your attempts to create a productive work environment. Operating with a reduced workforce and budget, you cannot afford employees who scoff at camaraderie, unity or team spirit. In tough times, leaders must act decisively. Objectively assess your employees, taking into account not only their skills but also their attitudes. Letting people go is never easy, especially in a poor job market, but good leaders are expected to make unpopular decisions. Besides, you owe it to the good employees who remain. Your chances for success increase when you cut your losses and invest in the right people.

Pick and Choose Wisely

Re-examine your hiring process. Make sure that job candidates have the required credentials and experience. Interview them carefully. Administer psychological testing to gauge their compatibility with your firm. Be diligent about checking references, and seek recommendations. With so many people out of work, the talent pool is larger and deeper. Don’t make rash decisions. The wrong hire can cost you dearly.

Handle with Care

In your determination to build the best team, you risk overlooking the individual needs of your workers. How you handle your employees depends on their personalities, strengths and weaknesses. The same verbal reprimand that motivates one person could easily devastate another. Be sensitive and respectful. Give your people the opportunity and time to succeed. Don’t waste everyone’s precious minutes with meaningless staff meetings. Do your business and get out; save the sports and political discussions for lunch. Keep your meetings to a half hour or less.

No Cheating Allowed

In trying to save money, many businesses commit a cardinal sin by giving their customers less value. The sandwich rolls are smaller, the ice cream cartons hold less than a half gallon and the package contains fewer pieces of candy. Maybe you’ll get lucky, and nobody will notice. But problems arise when consumers realize they’re paying the same prices for less. Customers who suspect dishonesty will stop trusting you and take their business elsewhere – probably for good. Providing value helps you retain customers just when you need them most.

Stay Aggressive

Adopt an aggressive sales philosophy. Of course, selling is more difficult when people have less money to spend. You have to make more calls and work harder to set up more appointments, but lamenting the current state of affairs will not help. Try focusing on improving the relationships you’ve already established. Help solve problems with good customer service. Make sure clients speak to a real person on the phone. Be polite and respectful. Finding solutions for consumers can earn you a lifetime of loyalty.

Stand Out from the Crowd

In tough times, you may need to reduce discretionary spending. Never put marketing and advertising into that category. To the contrary, smart businesses increase their marketing efforts when everyone else scales back. Recognize the wonderful opportunities that can emerge if your competitors retreat. Intelligent marketing means identifying your target customers and learning what they need and want. Hit the streets. Send out questionnaires. Study your data and observe buying behaviors. Instead of running scared, boldly move forward – the sooner the better.

Watch Out in the Fast Lane

You’d be foolish to underestimate the power and influence of the Internet. Virtually everyone has a website; customers expect you to have an online presence. Still, you easily can become obsessed with tracking the latest technological advances and making sure you don’t fall too far behind the competition. You don’t have to waste time and resources developing thousands of followers on Twitter just because everybody else does. The Internet is your tool, not your master. Stay within your comfort zone and remember that your customers are the only people to whom you are accountable. Make sure you can find each other in cyberspace, and everything will be fine.

Guard Your Reputation

In the age of austerity, your reputation is arguably your most valuable commodity. Protect it with your life. Actively monitor your business practices so you can continue to provide the goods and services that enabled you to build your loyal customer base. Everyone in your organization, from the top down, must commit to professionalism. One negative interaction with a client can cancel out 10 positive encounters. To strengthen your reputation, decide what you want to be and how you will project that image. Then follow through.

Cut Corners Carefully

In tough times, many businesspeople have a knee-jerk reaction: to cut spending indiscriminately. Saving money becomes an obsession, but stifling growth creates a false sense of security. Instead, reduce your costs intelligently. Try to negotiate lower rates with your office supplier. Look to eliminate waste. Do you leave lights on after everyone has left? Does the air conditioning or heat operate over the weekend? Do your employees shut down their computers at the end of the day? Do you really need bottled water in the break room? Maybe you can squeeze another year or two from the lunchroom refrigerator. Perhaps the cleaning crew can come in four nights instead of five. But don’t use cheaper materials for your products or compromise on customer service. Be careful about cost-cutting measures that might backfire and demoralize your employees. Scale back the holiday party, but don’t eliminate it. And remember, free coffee is always a worthy investment in employee morale.

Watch the Money

Know exactly how and where your money is spent. In the early 1900s, Italian economist Vilfredo Pareto observed that 80% of wealth comes from 20% of the population. Over the years, business experts have come to accept the validity of Pareto’s formula. Thus, 20% of your employees and 20% of your customers provide the majority of value. Your job is to identify both sets.

Supply and Demand

Never underestimate the importance of your “supply chain.” Businesses often take their suppliers for granted and have no backup plans in case of an emergency. While striving to maximize a mutually beneficial relationship with your suppliers, remain aware of your options in the marketplace. Keep the lines of communication open. Sure, suppliers want your business, but they also want to be treated like your partners. Investigate new ways in which your suppliers might help you. The more you communicate, the greater your chances of negotiating better prices and terms.

Surprise, Surprise

Complacency is easy, particularly when things are going well. The current economic crisis has demonstrated that disaster could be right around the corner for everyone. Planning for every scenario is impossible, of course, but you must do all you can to limit your exposure to surprises. Don’t allow cockeyed optimism to obscure your view of reality. This is the ideal time to sit down and contemplate all the possible eventualities that could have a negative impact on your organization. Could you overcome the loss of your biggest customer? What if the bank reduced your line of credit? How would you deal with a sudden price increase from your primary supplier or the defection of your best employee?

“It’s good to talk, but it’s better to work.”

You’ll sleep a lot better knowing where you stand and the areas in which you are either strongest or most vulnerable. The rules of business have changed in the age of austerity. Keep your eyes on the road and your hands on the wheel. Trust in your abilities and move bravely ahead.

About the Author

Alex Pratt is an entrepreneur and director of Serious Brands in England. He has advised several governments on business, competition and innovation.
