

NewsFlash

by Linda Swerling ■

October 10, 2010 – *It may be time to begin thinking about reinvesting in your business. Read on for tips on whether it's right for your company – and how to approach the decision process.*

MAKING DIFFERENT DECISIONS

While not everyone agrees to the extent, most analysts believe the worst of the downturn is over and pockets of the economy are improving. To get to this point, it's likely that you cut expenses and even staff and hopefully are now either at breakeven or profitable.

If you do have your business under control, you may be thinking about how and when to begin spending again.

Moving ahead

Doing your own due diligence will give you the information you need to plan the best approach to reinvesting in the business.

- Create what-if scenarios for the next 12-18 months. Focus one on impact to the bottom line and the other on cash flow.
- Assess what capacity you have with your cash reserves and/or credit to support new initiatives.
- Analyze key areas of the business – see below.

Technology

- With both software and hardware, changes happen so quickly that in two years without updates and upgrades, you likely have put your business in a vulnerable position.
- Operating systems could need upgrading, e.g., Microsoft has stopped supporting Windows XP Service Pack 2 and Windows 2000.
- If hardware performance is slow, it may be a simple fix of increasing memory.
- Analyze your core systems, e.g., accounting, CRM, or ERP to ensure that they are efficient and effective in tracking critical information. Systems today should allow your staff to access real time data so they can make informed decisions and recognize trends more quickly.

Marketing

Usually one of the first places to cut expenses, marketing (including advertising) should be one of the first places you look to increase spending so you can increase sales as quickly as possible.

- Compare what you're spending today to what you were spending two years ago as a percent of gross revenue.
- Revisit your marketing strategy to confirm that your target market and its needs are still the same.
- Reevaluate your tactical options, e.g., SEO (search engine optimization) and social media have become increasingly important in the past two years.

Staffing

Of the three areas we're discussing, hiring new staff may be the most expensive decision because you are making a long-term commitment to an individual.

- If you think your current staff may burn out from extended overtime, consider hiring contractors to supplement them.
- If you already have hired contractors or start now, monitor their work closely to determine whether they remain qualified as contractors and have not moved into employee status. The rules, particularly in Massachusetts, are rigid.
- Whether you hire part-time or full-time employees, make sure they will have a full workload before you hire them.

Action Steps

Planning and projecting are key to success here.

- Put together a forecast for your business to be clear on revenue, expenses, and bottom line.
- Analyze your technology, marketing, and staffing to determine which area or areas will give you the best ROI.
- If the future looks positive, prioritize your actions.
- Move ahead conservatively.

If you want help analyzing your business financials and operations to begin reinvestment, please contact us at 617-277-0222 or linda@level2solutions.com.