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Let's fix the cracks in your foundation

Last month I laid out the six pillars necessary to create a strong foundation. Now, here's how to fix what's broken.

1 Solid financial base: Improve cash position by understanding ratios. The first step in solving restricted cash flow problems is to regularly track two key balance sheet ratios: *Quick Ratio*, an indicator of a company's short-term liquidity to meet operating needs (current assets minus inventories divided by current liabilities) and *Current Ratio* (current assets divided by current liabilities).

› Cost cutting can help build cash, but cash management is equally important.

› Stay on top of your receivables: strive for an average age of receivables of under 30 days.

› Bill in advance for maintenance contracts versus billing at the beginning of the month for the current month's service.

› Do not make cash distributions until your current ratio is in the safe zone.

Healthy *Debt-to-Equity Ratio*: This is a ratio of debt to owner's equity. A debt to equity ratio of over 2 for a maintenance company is considered too high and will limit your ability to gain access to credit.

› Have a clear plan for paying down debt.

› Consider leasing rather than taking loans out to finance equipment.

2 Maintain a good business mix. A diversified business mix will strategically position your organization for lasting results and ensure regular revenue streams throughout the year.

› Track your business mix annually.

› Measure the profitability of each type of business (construction, maintenance, etc.) and each customer segment (commercial, residential, etc.)

› Develop a targeted sales approach that keeps you in balance.

› Apply sales incentives in segments of business that you want to grow to achieve balance.

3 Make a commitment to learning. Having the ability to adapt, change and transform your company in response to shifting market preferences will enable you to remain competitive.

› Hire a good cross-section of talent.

› Encourage debate and dialogue.

› Provide continual learning opportunities for your employees.

› Conduct regular reviews when things do not go as expected, either favorably or unfavorably.

› Keep the 'blame game' out of your company.

4 Be decisive. Empower managers to lead, be objective and think on their feet.

› Make meetings count, have an agenda and keep minutes. Hold people accountable.

› Move procrastinators out or to positions where they do not kill the decision making process.

› Reflect on the future and quickly take advantage of opportunities.

5 Inspire talent: Commit to learning. If you don't have enough management candidates to meet growth demands:

› Recruit interns and new graduates to develop a pipeline of new talent.

› Develop a mentoring culture that inspires engagement.

› Reward people with promotions if they have trained a replacement.

6 Customer focus. Keep an eye on customers' preferences. You'll grow your business and improve customers' experiences.

› Evaluate process changes for their effect on your present and future customers.

› Ask your customers for advice.

› Learn more about your customers and what's trending. If you know their problems, you can offer solutions.