



## The 6 pillars of a strong foundation

It's no small undertaking to create a lasting organization. Companies that withstand tumultuous times, survive changing conditions and continue to grow have one thing in common — a strong foundation.

To endure requires a foundation of six absolutes. Once in place, you have a core you can protect, a base for success and the power to bind your organization together for the long haul.

**1 Solid financial base.** Do you have a good understanding of managing both the balance sheet and profit-and-loss statement? Companies struggle when they've limited options. They're limited because they lack a strong balance sheet and adequate cash, carry too much debt and, with tighter credit markets, find themselves stuck. One or two bad receivables, and it's hard to catch up.

Mismanagement culprits sneak up when you least expect them. Are owners taking too much off the top to live on? Are margins unrealistic? A strong balance sheet with a high level of liquidity enables your company to be more competitive, simplify your forecasting, improve your ratios and give you the freedom to be more flexible.

**2 Good business mix.** Do you have a good diversification plan? Companies with income balanced between recurring revenue (landscape maintenance and lawn care services) and cyclical revenue (design and bid-build construction), have done well. Companies heavily dependent on construction revenue alone could not cover their overhead with reduced workload and lower margins.

In the early part of the recession, companies tried to bid with lower margins to cover overhead and keep good employees. Because this recession has been so prolonged, short-term solutions failed. A diversified business mix will strategically position your organization for lasting results and, in a seasonal industry in particular, ensure a regular revenue stream throughout the year.

**3 Commitment to learning.** Old strategies not working? Continuous improvement requires a commitment to learning. Learning organizations are nimble and regularly refresh their attitudes and practices to stay competitive. They have an ability to adapt, change and transform themselves in response to shifting market preferences.

Early in the recession, the companies in which people at all levels were thinking critically and engaged in their work did well. They responded by lowering costs and reducing margins to maintain their accounts and compete for new ones.

**4 Decisive management.** Do you fund losses during a weak revenue period to avoid making a tough decision? Effective leadership is not afraid to act decisively and quickly. Companies with decisive management teams survived the depressed business climate by adjusting prices immediately and making the overhead cuts quickly. They committed to a path, took action, then planned their next move.

**5 People development.** Do you decide to hire the person with experience, or the one with the best attitude that fits your company's culture? Companies that succeed do so because they benefit from HR policies that support investment in talent and training, develop a more committed work force and are committed to quality in hiring. They invest in the best, give them resources to succeed and reward them when they do succeed.

**6 Customer focus.** Do you have a strong service culture that builds loyal relationships? Companies are only as good as their customer base. Without customers, any business will cease to exist. The best companies have the ability to see the big picture and distinguish patterns and trends in customers' expectations. They had enough trust and communication in the relationship to understand their customers' shifting preferences — and to engineer solutions and services accordingly.