



### New Developments:

- Appointed as a member of the Small Business Seminar Committee at the Brooklyn Chamber of Commerce
- Established a number of relationships with some manufacturing and industrial associations. ABC will be providing trainings and one-to-one consultations to their clients

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## Small & Mid-Sized Businesses Corner

### Controlling Costs In A Downturn: Redundancies – The Answer?

Historically, and in recent times when companies think about their restructuring exercises, the “no-brainer” response is to slash the number of employees. This obvious response is not surprising after considering studies by the US Department of Labor in 2008, which showed that the average salaries and wages in some industries accounted for over 50% of the sectors’ operating expenses.

#### Is there a strategy behind your madness?

Small and mid-sized business owners must employ caution as they down-size their workforces. The downsizing exercise should be the result of a clearly crafted strategy — thereby, ensuring the maintenance of efficiency and responsiveness to customers’ demands. Otherwise, this attempt to increase profitability through lower people costs could result in dissatisfied customers, lost businesses and deflated employee confidence.

#### Are there other alternatives?

Whether restructuring exercise aims at reorganizing a poorly performing business unit or preparing company for a divestiture, many executives have highlighted

that downsizing the workforce is never an easy decision, but most times a necessary evil.

However, critical a downsizing of the workforce may appear, management should look at other areas of the business to meet its profitability and cash flow goals. In September 2003, an article published in the Financial Executives by Carlos Rojas highlighted seven keys to improving cash flows and profitability. The diagram below highlights key actions that executives can employ to grow their businesses:



Additionally, the following are some critical questions that management should consider as they attempt to bolster revenues and evaluate and control operating costs:

- Are the company’s strategies complemented by the proper organizational structure and culture?
- What measures can be implemented to improve company’s revenues?
- Would additional sales and marketing efforts increase new and returning customers?
- Would incentive programs such as early payment discounts and volume rebates result in improvements in the collection of outstanding accounts?

- What are the material costs identified and how critical are these costs to the company's success?
- Which costs can be reduced or eliminated with minimal impact to the company's efficiency?
- Will process improvements and resource reallocations result in cost reductions and greater efficiencies?
- Are there options to renegotiate various suppliers and debt agreements?

In conclusion, effective and successful restructuring processes should not only focus on reductions in the number of employees, but more so a strategy of efficiency to increase productivity and output with better streamlining of limited resources.

### Top 10 Tiebreakers - Adopted from Joe Calloway

**Here's the toughest question in business: "Why you?"**

In a market place where customers see sameness everywhere, we're all just a commodity - A pound of nails. All you can do is play the price game.

Unless, you've got a tiebreaker – Better still, a bunch of tiebreakers. Whether it's a new prospect you are trying to win or a long time customer you want to keep, you'd better have tiebreakers and you'd better be using them now.

<b>Speed Wins</b>	•Become known for blazing fast response
<b>Face to Face</b>	•Don't FedEx it; Put it in the prospects hands
<b>Big Picture Perspective</b>	•Don't just solve customers' problems; Help advance their strategy
<b>Be Easy</b>	•Be easiest to do business with; It is ranked # 2 in B2B buying decisions
<b>Ultimate WOW Factor</b>	•Do it right everytime; Every single time
<b>Win Inside the Box</b>	•Inside the box are your customers basic expectations; if you win inside the box you win
<b>Ask What Your Proposal Should Be</b>	•Ask customers what they think the proposal should be
<b>Change the Tire</b>	•If your customer have a problem with your product; Solve it right on the spot - Change the tire
<b>Smooch</b>	•Acknowledge customer loyalty; Have face to face, heart to heart "thank" you sessions - (a tear in corner of your eye would be good)
<b>Ultimate Tiebreaker</b>	•Know more about the customer than your competition

### Coming Soon & Specials

- Research paper on "The financial impact of Going Green on Manufacturing & Industrial Companies in the US"
- November Promotions – Free one hour consultation and 10% off Invoice Price

## Business Sale and Purchase Corner

### "Can Anything Good Come Out Of Nazareth" - Synergies And Strategic Buyers

The colloquial expression states, "Often times, there is more to a situation, than what meets the eyes". Many business analysts are quick to predict doom or gloom on a potential acquisition. Sometimes their predictions fall right on the money; however, there are other times when the lack of access to asymmetric information about the strategic impetus of a transaction makes their conclusions pre-emptive and inaccurate.

#### Financial versus Strategic Buyers

Strategic Buyers do not have the same fundamentals for acquisitions as Financial Buyers. Financial Buyers are primarily interested in a company's return on equity, investment, burden on management and cash flow. They pay close attention to expected earnings. Expected earnings are usually calculated using historical results, in conjunction with the view of future growth prospects. Future growth prospects are usually based upon information about backlogs and pipelines, potential new customers and market expansions. Additionally, these Financial Buyers have clear exit strategies - this is more so the case in the current economic downturn.

On the other hand, Strategic Buyers are more willing to pay for readily realizable synergies, and many times will pay for speculative synergies. These Buyers believe they can defy the laws of arithmetic - making "1+1 equal 4 and not 2".

Though both Financial and Strategic Buyers seek out companies with positive cash flows; Strategic Buyers are more inclined to buy a company operating at a loss if they can justify the synergies. Synergies can be derived from expanded distribution channels, increased control over factors of production, additions of high caliber management team, and improvements in other areas of deficiencies - marketing, research and development, technology.

#### Can anything good come out of paying a premium price for the purchase of a company that is operating at a loss ?

Assuredly, this is possible.

Recent studies conducted by KPMG highlighted that 83% of mergers and acquisitions were not able to produce satisfactory results for the shareholders – more than half of these deals, in fact, damaged the value. In light of these facts, companies are still actively seeking out suitable acquisition candidates to grow their businesses.

Strategic Buyers believe that success will be realized with acquisitions that fit within their long-term strategies. They understand that the right deal structure, integration process, management team and sufficient working capital to engine the strategic plan will bring them success.

For them - Good can come out of Nazareth!

## Sell-Side Diligence - Extracting The Highest Value

Sell-side due diligence addresses the concerns and issues that are relevant to the most demanding purchasers. The sell-side due diligence exercise will help Sellers of companies win over their potential Buyers, whether they are contemplating a business/unit:

- Disposition
- Spin-off
- Divesture
- Carve-out

Sellers are able to extract higher value from a transaction as Buyers perceptions about the credibility of information and transparency of the sale process increase. Providing accurate, reliable and complete information from the start of the transaction will help to prevent surprises from occurring later in the process.

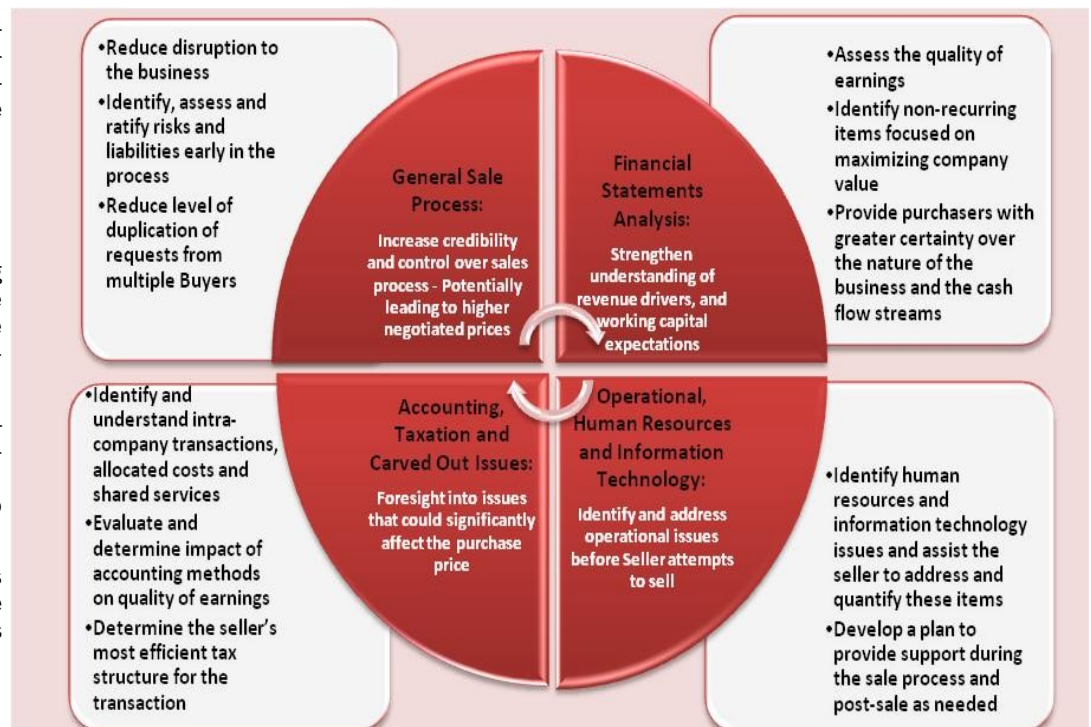
Early focus by Sellers will undoubtedly increase Buyer's confidence in the integrity of the information presented during the transaction process.

### What is Sell Side Due Diligence

Small missteps can result in big value losses, as savvy Buyers are looking for ways to get purchase prices adjusted for risks and liabilities identified.

Management should have in-depth knowledge of their business financial health and should be able to convey its position to potential Buyers.

The following diagram outlines the nature of the sell-side due diligence process and how Sellers will benefit from the process.



## What "Going Green" Really Means

The issue of "Going Green" has been a buzzing topic for a number of years. However, it is interesting to note, a lot of the studies created or public awareness generated around the topic have been from the proponents viewpoints.

In many instances, the views of the proponents of "Going Green" are biased on the benefits to be derived; paying minimal attention to the costs of "Going Green". Given the fact, business owners will continue to be skeptical until both sides are addressed adequately.

Business owners are expected to be socially and environmentally conscious: considering their contributions to the communities in which they operate and their carbon foot prints on the environment. Additionally, companies are in the business to make a profit. Because of these potentially conflicting views and

## Anchor Business Consultancy, LLC (ABC) At A Glance

The services offered by Anchor are as follows:

**Start-up Services** — Working in conjunction with non-profit organizations to provide training in the areas of financial management and business development to small and mid-sized businesses.

**Growth Services** — Performing in-depth financial, operational and competitive analyses, industry researches, business and strategic plans.

**Strategic Transaction Services** — Developing financial models, informational memorandum and performing sell-side and buy-side due diligence for business transactions. Additionally assisting clients with capital raising initiatives.

expectations, "Going Green" cannot be just about mere implementation of sporadic initiatives. It has to be as a result of a clearly defined strategy that is complemented by the right organizational structure and culture. Business owners will have to assess the costs, benefits and implementation mechanisms to be employed over the long run.

ABC is currently working on a case study that will seek to outline the impact of "Going Green on manufacturing and industrial companies. The study will answer the following questions:

- What is the most comprehensive definition of "Going Green"?
- When is the best time for companies to go green, and what have been the average costs and benefits of a sample of companies that have gone green?

The study will help companies to see both sides of the coin.

## Creating An Organizational Culture

### Employee Engagement Based On Your Company's DNA Submitted by - V.W. John Luard

*The survival of any company will be based on its ability to keep its employees fully engaged. This can only happen if the organization creates a culture to retain "right-fit" Talents.*

*Jack Welch made the following observation, "No company, large or small, can survive over the long run without energized employees who understand and believe in the mission and how to achieve it". (How Healthy is your Company? by Jack & Susie Welch.)*

#### Pros and cons of keeping employees engaged

The current economic situation has seemingly created a misleading view, that today's high unemployment creates a situation that will make people hesitate to leave their jobs. This view ignores the fact that "passive recruitment" is alive and well. Talented employees are being wooed away with more money, better benefits and working conditions as well as status improvements.

The task facing CEOs is to show their employees that they are valued, by keeping them engaged and productive.

Engagement here is defined as – the degree to which employees feel connected to their work and the goals of the organization. Individuals who are highly engaged:

- Feel excited and enthused about being in the workplace and focus less on the passage of time to the end of the days' work
- Donate discretionary effort to their activities
- Identify and define themselves with the task and engender creativity
- Think about the questions and challenges posed by the activities during spare moments
- Resist distractions and stay focused easily
- Attract and invite others into the activities by their enthusiasm

The alternative to this would be

- Higher employee turnover and diminished activities
- Lost training dollars
- Low morale

#### Benefits:

Research supports the fact that an engaged workforce yields the following benefits:

- a) Increased retention rates
- b) Enhanced innovation and collaboration
- c) Increased customer satisfaction levels
- d) Increased bottom lines, shareholder value and return on investment
- e) Increases productivity

#### Critical questions and observations necessary to maintaining a dynamic workforce:

- Take a look at your Organization's culture.

Are you fostering a "people culture"? Do you believe your people are your greatest assets? If not, why not? If you do, is your structure aligned with the visions, values and strategies of your company? Have you established and communicated your vision (present and future) to your people?

- **Are your employees appreciating or decreasing in value?**

The talent in your organization is your competitive advantage in the future. The development of your employees will ensure that the "right employee" is in the right area of your boat. This can be achieved by the use of a PREDICTIVE PERFORMANCE or Job Matching technology. When the employee is fully developed or the current job, but also will have the foundation for a clear path to career development.

- **Is the right person in the right leadership position?**

How would you know? These can only be answered by using the appropriate assessment. It will tell you about the "job fit" and allow you to determine the top performing leaders.

The establishing of appropriate benchmarks will allow you to place your leaders on the right part of the boat; or make the appropriate decision if there is a selection or development issue.

- **Have you aligned the behaviors and leadership skills to the expectations of your organization?**

What steps have you taken to close the leadership gaps by on the job training and coaching?

Today's diverse workforce (multi generational and multicultural) requires a rethink of workforce strategies, as well as a transformation of management styles, human resources practices: with the view to attracting, engaging and retention of workers of all ages.

This requires more than one management style; what worked in the past will not work in the future.

- **Who are your target employees?**

Most successful companies identify their target customer. The time has come for technology, science and data to be applied to determine who is a company's target employee. Research has shown that job success has little to do with experience, age, race, gender or education and everything to do with "job fit".

The best way to keep your stars is to know them better than they know themselves and use this information to customize the careers of their dream. (**Harvard Business Review**) This can be achieved in two ways either by observation, which is time consuming, expensive and highly subjective; or through assessments which take little time and are inexpensive and highly objective.

- **The understanding of your organization's characteristics and chemistry (DNA) is as important as strategic planning in relation to your market place.**

Vince Lombardi, indicated that a "business is a very complex machine, all of those components and people, and as in football team, it is vital that people mesh and gear smoothly".

We spend quite a lot of time reviewing data and consumer reports on equipment. Should we not devote more time to reviewing our Human Capital, our most important resource? These goals can best be achieved by predictive performance models and job matching, which will empower your managers, accelerate performance and build your "employee brand".

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