

# Business Management: It Was the Best of Times ...

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“It was the best of times, it was the worst of times ...”

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Those words by Charles Dickens open his classic novel, A Tale of Two Cities, about the French Revolution. And just as sinister Madame Defarge sits knitting her ominous visions, we, too, are seeing visions of uncertain and troubling times ahead.

Will we experience revolutionary times? In some ways we may. Many believe that we need to experience a revolution in government – how it sets its goals, operates, polices itself, and is accountable to the public. Do we need the same in the IT professional services business? Certainly not, but we should use this wake up call to get back to the basics of good business practices.

As we prepare for some softening in our business, we are reminded that we do go through cycles. No one can forget what we encountered just 8-9 years ago, as we prepare for this down cycle. The good news is that historical patterns indicate that this time the impact will be less severe for IT services. It could be that we learned from our mistakes and have a different perspective since 2000. It could be that companies everywhere now value IT as an asset, thus cuts in technology investments will be smaller. The reasons do not really matter as much as how we face our impending challenges.

There is more good news in that IT services firms have yet to experience much in the way of a slowdown, if any. The bad news is we will have to work harder to get business. So how do we prepare for 2009 and beyond?

We need to take a good hard look at our businesses today. Then take action, which not only prepares us for the next year or so, but beyond. In other words, we need to operationalize actions we take today and make them an ongoing part of the business. Companies that already embrace this management style are better able to focus externally on customers, a distinct advantage over the businesses dealing with internal issues.

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A simple mathematical equation illustrates this point:

$$BE = \frac{E}{I}$$

BE – business effectiveness

E – external focus

I – internal focus

What the equation says is that the more time spent focusing on customers the greater the opportunity for growth and success. As a general rule, you should aim for a quotient greater than three (3) meaning that you spend at least three times as much effort on customer-related matters than on internal affairs. In this environment, competitors are constantly knocking on your customers' doors. If you are not with your customers, assume someone else is.

This is not to say that dealing with internal issues is not important, just that the more they are operationalized, the less distraction they become to focusing on customers. For example, paring non-performing staff is difficult. It is always viewed as a morale deflator, and it ignites rumors about the business not doing well. In fact, it can have the opposite effect when it is a routine part of running a business. Experience shows that your solid performers, the ones you want so badly to retain, are OK with eliminating non-performers. This helps improve their skills when they work with other top performers. Also, it reduces the challenges faced on projects with subpar performers.

A number of good articles have been written about how to prepare for the possible slowdown in business. This one is geared to ongoing business operations with the idea that the items suggested are for present and future benefit.

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## **Business Functions Focus**

The following chart depicts business functions broken out into seven basic areas. For each of these an abbreviated checklist of action steps to improve business effectiveness (BE) is presented. The lists are designed for you to check off what you currently do – a quick self-assessment. There are no silver bullets or specific focus on best practices; just an emphasis on using good business judgment and executing activities with common sense day after day.

## Business Functions/Areas



### Leadership

- Avoid taking drastic action – be rational in making decisions otherwise it becomes too hard to recover or make adjustments later (e.g., make cuts where feasible, but do not cut a piece of the business without a plan to make it up in another area quickly)
- Keep your fingers on the pulse of the business to assess your business effectiveness – step back and do an assessment today

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- Communicate frequently internally and externally to minimize anxiety, rumors and misunderstanding – listen as much as, if not more than, you speak
- Spend money like it's yours, which it may very well be

## Offerings

- Analyze revenue and margin to identify and confirm opportunities for growth – segment by types of services, industries, types of customers, etc.
- Do what you do best – capitalize on your strongest offerings to differentiate the company
- Identify if you are missing any complementary services your customers are buying elsewhere or performing internally – offering such services, if economically feasible, can keep competition away and position you for more work if your customers need to reduce staff

## Marketing

- Do not underestimate the value of marketing – it's all about proactively generating qualified leads, which gives you the option to choose what you sell; not all marketing needs to be expensive
- Make sure the marketing materials you have are in sync (i.e., website, case studies, customer testimonials, etc.) – otherwise you can confuse prospects and customers, as well as make selling services more difficult
- Emphasize channel partnerships to give yourself leverage in lead generation – remember you provide leverage for the partner, also

## Sales

- Stay close to existing customers – work to extend existing contracts in as many cases as possible
- Enhance sales and sales management processes to improve efficiency – focus on the best opportunities and improve revenue predictability

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- Upgrade the sales organization – focus on the right skills needed to sell your services and customers

## Delivery

- Focus on quality delivery to help control services costs (e.g., no re-work) and enhance customer satisfaction/loyalty
- Ensure consultants are reporting all of their billable hours on a timely basis
- Provide incentives (e.g., finder's fee) for consultants to identify qualified leads at existing customers

## Operations

- “Hug” your associates – their loyalty is as important as that of your customers
- Upgrade the quality of the associate group – include both delivery and support personnel
- Defer hiring unless there is an impact on revenue in the short-run – consider using third-party independent contractors to fill in on projects
- Review and tighten processes to improve efficiency around infrastructure areas (e.g., internal IT, accounting, facilities, etc.)

## Finance

- Spend or make investments based on a zero-sum budget – unbudgeted expenditures are made as the result of a reduction(s) elsewhere
- Focus on revenue or gross profit-based variable costs, which benefit both the company and contributing associates
- Eliminate as much unreimbursable expense as possible – big areas include travel, meals and entertainment

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Start now. Take action. Incorporate these items into your routine business processes, if you haven't already. The benefits are many – stay lean, stay efficient, minimize morale issues, mold a culture of merit, not entitlement, and minimize the effects “rollercoaster” business cycles. Come out of the potential business slowdown positioned for growth.

In closing, the final words of A Tale Two Cities prove significant, also.

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“It is a far, far better thing that I do, than I have ever done; it is a far, far better rest that I go to, than I have ever known.”

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Hopefully, you can eliminate the business concerns that keep you up at night.