



Seneschal Incorporated

Newsletter

Nov 2009 From Our President

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Have You Created An Innovation?

In the past few weeks, we became involved with a private business incubator. In essence, the firm finds inventors and innovators with a worthwhile idea and helps them bring their idea 'into the real world' as a new product, service or programme. Linkage between our firms has already been productive, winning a modest regional grant to help a project move forward. We are now working on an application for a large Seventh Framework Programme (FP7) grant—a complex programme that pulls together a multinational consortium of universities and businesses within Europe.

What This Means For You

If you have been wondering how to breathe life into your innovation and get it noticed in the marketplace, we are now in a position to help you do that. The incubator has appropriate contacts and business networks. They know where to turn for funding and what to set up. But they have been weak on an important piece of the skillset necessary to carry these projects all the way through.

Without spilling too much detail about exactly how Havenshire works with them (we have a non-disclosure agreement in place), we'd just like to remind you that we are very good at identifying problems, figuring out a solution, and making things happen. In essence, we simply do for them what we already do for you.

If you have, for example, a patentable design but are having difficulty getting enough to happen with it, call us. We're getting great satisfaction out of seeing so much rapid progress from our efforts, and we'd love to add your innovation to the winning streak.

Insanity Is...

... continuing to do what you've been doing, more and more fervently, in the hope that this time at long last it will work.

That's exactly how some businesses are dealing with this economic downturn. It's a great way to run a business into the ground. Your customers and employees are counting on you to be smarter than that. They are counting on you to repeatedly look at your business to see what isn't working and *try something else*. If you don't, the downturn could sink you—and they don't want to lose you.



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Let's say your revenue is down, and you see no way to improve revenue anytime soon. You decide your business needs to cut back. (Call us if you think this is your situation. We may be able to find another way out for you.)

I've seen some very large companies handle cutbacks badly. How can you do it wisely instead?

Step 1: Cut Non-Staffing Costs, Improve Efficiency

Make sure you stay within these boundaries:

- Keep safety from slipping. A lapse in safety can be both emotionally devastating and financially costly.
- Maintain the high quality of whatever you sell.
- If working conditions must be unpleasant for some time, tell your workers why. Fulfill your pledge to ease working conditions as soon as you can.

Step 2: Slow the Bleeding

As you work on Step 1, simultaneously analyze where money is flowing in and where it is flowing out. See what you can do to reduce the worst bleeders. However, in this step, part ways with big businesses. When they wait longer to pay their bills, most suppliers don't have enough weight to penalize them for it.

Unless you have a big business yourself, you don't dwarf your suppliers, and your geographic region is probably smaller. If you start routinely paying bills late, some of your suppliers might refuse to supply you any more. They could also hit your reputation enough to make new suppliers hard to find. If you start shipping to customers late, that will definitely hurt your reputation and lose sales for you.

Talk with every creditor and supplier who might give you a break. A few suppliers might allow you to pay on easier terms for a while, rather than lose you completely. Some customers might allow you a slightly delay on delivery. Even if nobody gives you a break, you will have shown that you work above board. At the least, it's a positive contrast to banks that hid major trouble until they blew up in everyone's face during the past couple of years.

Step 3: Reduce Staff

Letting go of staff is where you should move farthest away from what I have seen large firms do repeatedly. It may indeed be necessary, but if it is, be smart about it.

Big firms tend to start reducing their staff by offering a monetary incentive for those who volunteer to leave. Who are most of the volunteers? The brightest, most able, self-starting employees are most interested. They are confident enough to take the extra pay and depart in search of another job. When an economic downturn is in progress, by the time it hits bottom, they have landed new positions where they can ride it out.

The firm then has to get through the rest of the crisis with its weakest, least adaptable workers. Perhaps a big firm has

momentum to get by that way, but a small to medium firm needs all the ingenuity and drive it can get to win through to better times.

Financial incentives to leave voluntarily sound kinder to people who are not well situated to go out into a rough job market. Often, I have seen that backfire.

The business suffers more than need be because, in the worst of conditions, it must struggle along minus its best people. The weaker employees who passed up the incentive suffer because having a smaller staff increases the workload for each remaining person. They are not as able to handle the extra strain as the people who left. Finally, if they are eventually let go during an economic downturn, unemployment is at its worst when they are released. A crowd is vying for every scarce job opening, and they are the weakest competitors.

On the whole, with that scenario, the strongest workers do well. Both the firm and its weaker employees suffer more than necessary.

Think hard about any cutbacks in your staff. Learn who the weakest performers are and let them go. This must not be emotional or discriminatory. Performance records will show who should go, and why.

In rare instances you might be required to keep someone who is not a fine performer. As an example, a worker who is ill may be performing poorly in comparison with healthy people, but may be protected by law. For this reason, review your list with legal counsel before notifying the employees you are releasing.

Give people you release all the support you can reasonably offer in their hunt for new jobs. Write recommendations. Advertise on their behalf. Help them brush up their job hunting skills. They were good enough for you until times became brutal, and they have not become worthless. They simply do not fit your business well enough any more. They may fit well elsewhere.

Step 4: Reduce Compensation

When all of that is not enough, you and some of the big firms come back to the same path—pay and/or benefits (compensation) for your workforce may need to be reduced. If sales are down, you may need to cut working hours to make production fall in line with actual sales and make labor costs fall at a pace similar to your sales falloff. But if you need to keep production at a normal pace and cannot reduce working hours, you may need to cut the amount you pay (directly or indirectly) to employees.

At best, your workforce will not like this. Be forthright about it. Anything less could trigger a workplace revolt. But if you reach this step, the alternative is likely to be shutting down entirely, and that would throw everyone out of work.

All The Way Through: Remember to Flex

This step-by-step walkthrough is only a general outline. Please do not use it as a rigid checklist. As an example, some firms ask their employees to choose between reduction in pay across the workforce or release of a few workers.

You might get a brilliantly unorthodox idea that can save the day. When you have an idea for coping that seems better than a recommendation in this outline, explore it. Think it through. Check whether it might open you up to legal problems. If it still looks right, don't let a checklist keep you from trying it. As you know, the best way for your small to medium business to survive is not by copying what big firms do. You will survive by making smarter choices.

Born to Stand Out: Tips to Becoming an Excellent Computer Consultant (Book)

We edited and designed the cover of this book for the Independent Computer Consultants Association (ICCA). It will be released during the first week of November. Within a couple of weeks it will show up at Amazon.com.

We hope ICCA will also make the book available as a Kindle title. That would make it available to our clients as a quick download without shipping costs.

This book is about being *excellent* IT consultants—the kind who belong to ICCA. If you have ever wondered how the top of the field is different from the rest, this book will show you.