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How to Survive an Economic Apocalypse

The private business sector is in trouble and if you're one of the 75 percent of mid-sized companies that's not increasing in value, it's time to adapt or die. It's time to emulate the business superstars called Midas Managers—the less-than-one-percent of all business people who intuitively know how to create wealth. It's not that you can become a Midas Manager—the vast majority of us simply don't have the right stuff—but you can study what they do and learn their tricks. Following are eight steps your shop can take to survive an economic apocalypse.

Following are eight tips for reinventing your business:

1. Get out of denial. If you're going to survive, you must move to a conceptual business model, and that means making some hard choices.

2. Get comfortable with conceptual thinking. Today's mid-level private business owners must conceptualize their way to success. Machines, capital and employees are no longer the main factors in creating business wealth. The biggest is the manager's ability to conceptualize solutions. In a world where the major resources are available to everyone, it is the ability to do more with less that separates the winners from the losers.

3. Raise your private finance IQ. As a business owner you have to understand finance; you simply can't leave it up to your controller or outsource it to a CPA. Once you have a grasp on the three pillars of private finance—value relativity, cost of capital and value creation, and transfer value—a whole world of financial decision-making opens up.

4. Pick apart your process chain. Figure out exactly what your company does, step-by-step, from inception to customer. You may have a few steps being handled in a way that's inefficient.

5. Identify the steps that involve your intellectual capital. Outsource everything else. In a conceptual business model, you own only your intellectual capital: the know-how and skill sets that allow you to be successful. You control—not own—the process chain. You're essentially the quality control manager. You want to leverage your intellectual capital by at least a 5:1 ratio, or better yet, 10:1. Conceptual business models allow you to do that.

6. But don't just outsource, partner. Your chances of outsourcing success increase dramatically when you join with a qualified and motivated partner. When you're seeking out partners, don't just figure out who can do it the cheapest. Think carefully about all the variables before you make a decision.

7. Become a niche-aholic. A niche can be defined in several ways. It might be meeting an unmet customer need, filling a hole in the market, or providing a product or service that is defensible, sustainable and delivers a return greater than the underlying risk. Draw up lists of your company's core competencies and criteria for niches that will maximize them. This will enable you to know a promising niche when you see it or know what to do to make it one.

8. Don't push your products onto the market. Let them be pulled. If you are trying to convince potential customers that they need your product, you're on the wrong track. The old rules say that you should control your resources. The new rules say just the opposite. Instead of dictating solutions, listen to your customers and react accordingly. The command-and-control mindset is obsolete.

Now you have a decision to make and your window of opportunity is closing. Most business owners and managers simply can't—or won't—change, but there are survivors in every age—men and women who open their minds, rise to the challenge, and come out swinging. Hopefully, you'll decide you're going to be one of them.

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