

Employee Group Benefit Plans still important during tough economic times

Canadian employers cut 129,000 jobs in January 2009, the sharpest monthly plunge on record, according to Statistics Canada.

Economists expect the jobless rate, now at a four-year high of 7.2 per cent, to climb further this year.

Canadian businesses are weathering the current economic climate in many different ways. As companies pare down to compete in today's market, they're a little more lean and mean than last year or the year before. It's not surprising that many Canadian employers are trimming or eliminating many aspects of their Employee Group Benefit Programs.

In fact, Canadian eyeglass companies, masseuses and dentists are reporting increased traffic as more people get pink slips, anticipate layoffs or believe that their employers will soon trim group benefit plans. A Canadian eyeglass chain reports that sales have spiked in precisely the same Ontario factory cities where layoffs are occurring - Oshawa, Windsor and St. Catharines.

As a business today, your goal is to survive. You've crunched your numbers, your strategic plan has been set and a core group of skilled talent has been identified. This core group is just a fraction of the company's previous human resource complement and after layoffs, they will guide the company through this economic storm.

It's important that you retain these people. Personal stress and concern for job security increase during these turbulent times. It's key that you reassure these anxieties and instil employee

confidence in your company.

Now is not the time to eliminate your communication budget - instead there is an increasing need to communicate and educate employees. The more knowledgeable employees are about the company direction and their resulting role, the better equipped they are to make informed decisions.

When employees don't feel supported, valued or respected, it can create interference that will impact their ability to perform. Keeping productivity high is challenging when employees fear the worst. A positive employee morale and trust are two important components of moving forward with a strong core team. Engaged employees are your secret weapon in a recession.

"When employees don't feel supported, valued or respected, it can create interference that will impact their ability to perform."

The group benefit program is an integral component of an employee's compensation, and could be a deciding point as to whether this valuable employee will remain as part of your winning team.

More and more companies are increasing deductibles, co-payments, co-insurance or introducing Health Care Spending Accounts (HCSA), while others are promoting wellness, preventive and early-intervention programs to try to manage their health care costs.

As we move into tougher economic times, keeping your Group Benefit Program in tune with your employees' needs is definitely key. Industry statis-

tics show that if your employees had a choice of where they could spend their benefit dollars they would get more value from their plan. That's why some employers are choosing Health Care Spending Accounts (HCSA) to manage their costs and provide an increased element of choice, ownership and trust for the employee.

An HCSA is defined as "an account funded with credits by the employer and/or employee used to purchase defined health-related goods and services". An HCSA allows the employee to claim health-related expenses that are not covered under their regular health and dental plans or to supplement existing coverage. Many see their HCSA credits as a personal budget encouraging ownership for making smart buying decisions.

Whatever your corporate survival decision, remember that communication, education and keeping your Group Benefit Program in tune with your employees' needs, will play a strong role in weathering this economic storm.

Companies should be conducting a careful annual review of all insurance coverage and providers. The cost savings potential of these reviews is even more important in the current business environment.

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The Bulletin...by mail

Information from the Ajax-Pickering Board of Trade

Spring Edition, 2009

As economists continue to paint bleak pictures of the months ahead, businesses continue to operate and cope with the economic climate, working to succeed today and in the future.

With an eye toward offering good sound advice to the members of the Ajax-Pickering Board of Trade, we have called on various experts to contribute to this edition on the theme of operating a business in tough economic times.

Whether you have a small or large business, we think you will find great value in the practical advice our columnists give in the following articles. There are many ways to take stock of your financial situation, to assess cash flow, financial commitments and how best to manage staffing levels.

Please enjoy this edition of *The Bulletin... by Mail* and take note of some of the excellent suggestions offered in the following columns to help you thrive when others struggle to survive.

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UPCOMING EVENTS

March 23

REGIONAL CHAIR'S ADDRESS

Victorian Gardens, 570 Westney Rd. S., Ajax

Tickets: Members: \$35, Future members: \$45

Registration: 11:30 a.m. to noon, Lunch: Noon to 12:45 p.m.

Chairman **Roger Anderson's** Address: 12:45 to 2 p.m.

The Board's not-for-profit recipient is Benefits for Women

April 2

LUNCH & LEARN

"Are you financing your innovations or new applications with R&D tax refunds/grants? If not, you may be missing out"

Danny Ladoucer, R&D One Inc. At: 575 Westney Rd S, Ajax

11:30 a.m. registration, presentation noon to 1 p.m.

April 10

NETWORKING BREAKFAST

Herongate Barn Dinner Theatre, 2885 Altona Road, Pickering

7:30 a.m. to 9:00 a.m.

\$15.75 for members, \$26.25 for future members

Strategies for tough economic times

With the challenges we're now facing, working 'on' your businesses is not just wise, it's essential. One of the most important areas you should focus on is your company's financial health.

Getting Your Balance Sheet Right

Many businesses have a poorly structured balance sheet and pay the price for it. Assets are financed from both debt and equity and the right balance is needed. As things get tight, try and move your balance sheet to having more equity and less debt, as this reduces risk, and also reduces the servicing costs.

Manage Sales Lead-to-Cash Cycle Time

Sales lead-to-cash cycle is the time it takes from marketing a product to receipt of cash. Consider carefully launching a marketing campaign that will take a long time to have cash deposited into your bank account. It might be better from a cash flow point of view to do something with an existing campaign.

The part of this cycle that is usually a focus is credit man-

agement, and in tougher times, a review of your credit policy and how this is followed is vital. You should review the accounts of slower payers to see if you should be tightening the terms and maybe going "cash on delivery". If they were having difficulty paying you in good times, they are more likely to become a bad debt risk in bad times. Also, watch for customers who don't comply with payment terms they've agreed to.

Implement Supply Chain Management

Improvement in cash flow management can be achieved by reviewing your supply chain management. There are three primary areas where you can find improvements:

1. Supplier management, (i.e. your relationship and terms of trade with suppliers)
2. Inventory management, (i.e. look closely at inventory turn-
...please see "Take" on page 2



Peter Spratt
Principal, ROCC

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Building A Better Tomorrow!

Recent economic turmoil has created a global wake-up call.

On every forefront, whether it be political, environmental, financial, business or personal we have been forced to take a hard look at what's working and what's not. If what you did yesterday is not yielding the results you desired; what makes you think doing more of the same will change anything.

To build a better tomorrow requires us to first, face reality today. We must take responsibility and ask ourselves "What actions can I take today to help build a better tomorrow?" The first and most critical action for business owners, leaders and managers is to recognize it's time to stop shifting gears & start shifting mindsets! It's time to Start To Optimize Pragmatically (S.T.O.P.).

As a leader, you need to elevate your mindset and obsess about getting more from your current resources and efforts. Ask yourself and your team "How can our business get greater results from every action we take, every expenditure we make, every effort we expend, every relationship we have?"

Avoid status quo like a deadly virus. You must embrace fully the philosophies that, "good enough - never is" and develop a constant and never ending improvement (C.A.N. I.) attitude. Optimization (also known as leverage) is a mindset of maximizing your results while simultaneously minimizing the amount of time, effort, risk, money, and energy you expend.

It's all about getting greater productivity, performance, profitability and pay-back from your ideas, assets, knowledge, systems, processes, practices and people.

Overlook nothing and leverage opportunities everywhere. Optimization is all about using your mind and resources in new and better ways. It's about using your creative intelligence as an incredible force to increase your sales, customer satisfaction, profits, quality and more.

Optimization is about freeing yourself and your organization from limiting beliefs, the "we've always done it this way" attitudes, and established industry practices. Optimization is searching for opportunities within and outside of your company where the application of focus or force will yield substantially multiplied results.

For example, if you start using telephone calls to follow-up your direct mail campaigns, you may multiply your sales results by staggering amounts.

Just as a tire jack can lift the tremendous weight of a car for a tire change, so can the strategy of optimization help you significantly lift your company's revenues. It can improve operations and lighten your daily load.

A lever, fulcrum and slight force can lift significant weight if you know how to use these tools correctly. Learn about leverage to elevate and optimize your business results. The slightest shift in your perception and the actions taken as a result of "your beliefs" will make an

enormous impact to the success you and your business achieve. Consider continually asking yourself the following types of questions:

- What is the best and optimal use of our time, talent, and treasures?
- What resources are we underutilizing?
- How can we maximize our returns/output and minimize our input?
- Which strategies will give us super-sized results?
- What past or current relationships could we fully leverage (i.e. customers, employees, vendors, suppliers, etc.)?
- What other industries could provide us with some innovative best practices?
- How can we get better every day in every way?

Expand your mind and your leadership potential and you will see your business and opportunities expand exponentially. The more you grow as a leader, the more your business grows as a market leader.

Think optimization; not status quo and in turn, you will be building a foundation to "Thrive not Survive".

Joanne Ferns is an independent owner & CEO of The Growth Coach. www.TheGrowthCoach.com/jferns



Joanne Ferns,
The Growth Coach

Surviving a recession or maybe even a depression

Bang! That was the sound of the Judge's gavel passing judgement on another case of bankruptcy.

Bankruptcy proposals are up at an astonishing rate this year and recent numbers already show a 39-per cent increase during the month of February.

People are frequently asking how bad this recession will be. It is bad already and by most pundits' forecasts could be long and deep before the recovery gets a green light. Perhaps the question we should be asking is how to keep the bankruptcy trustee away?

Financing and bank credit can be difficult to obtain, so now is the time to think about maintaining a pleasant relationship with your investors. For example:

- Keep credit payments current and if you are going to be late, let the bank know in advance;
- Attempt to cultivate a personal relationship with bank personnel and be open about your business difficulties;
- Be enthusiastic as you discuss your efforts to solve the challenges presented by today's economy. If your credit history has been good, the bank will be willing to work with you; and
- Remember banks are having a tough

time too so don't be afraid to ask for help. They don't want a loss by writing off your business loan to bad debt.

In addition, keeping your credit payments up-to-date requires strict cash control on your own receivables, so keep these points in mind:

- Be careful about who you extend credit to and for how long;
- Insist on prompt payment;
- Place a priority on your collection methods, accept fewer cheques for payment and take a credit card payment rather than a promise to pay next month; and
- Keep your face in front of customers who owe you money.

Now is also the time to seek alternative sources for cash flow. The Federal Business Development Bank has a record of consolidating loans to reduce outflows of cash with more favourable credit terms. Seek out new grants or incentives to subsidize employee wages or expand product lines. Stay on top of this information with web searches.

The question of whether to retain employees or lay them off is a heart-breaking decision for small business. Usually small businesses have more loyalty to their employees than big businesses. They are friends as well as

employees and salaries are the largest expense. Remember to:

- Be prepared to lay off if necessary but remember there are alternatives;
- Decide on who your key employees are and aren't;
- Discuss your problems with your key employees and be prepared to ask them to reduce their hours and assist with the success of the business by getting temporary part-time jobs until business turns around; and
- If all else fails then layoffs may mean survival. Remember what it was like at start-up in those early years of business!

Finally, small business failures can provide a boost to other small businesses that have an active survival plan in place. Never stop looking for new customers, particularly those of your failed competitors. Yes, it is a dog-eat-dog world out there and the fit will survive and be even stronger when the climate turns warmer.

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Bill Bradburn,
Prof., Durham College

Take stock of your operation and ways to improve

...continued from page 1

over by product lines)

3. Workflow management, (i.e. bringing greater efficiency into your production processes by eliminating waste, reducing process time, and automating manual tasks where appropriate)

Other Ways to Manage Your Cash

- Implement spending policies and controls by setting purchasing authority levels
- Lower operating expenses by reviewing suppliers e.g. telecoms, freight, travel.
- Adopt a culture of cash preservation and cost control, but remember that you must lead by example.

Review your Financing Needs

If your company requires financing in the next year or two, you will probably find it will be more difficult to obtain and more expensive. Lending institutions are working to get their balance sheets in better shape so any new loans will come with stricter covenants. A company's existing credit facility may even be reduced when it comes up for renewal.

There are strategies that you can undertake to reduce financing requirements, (e.g. the sale of redundant assets, speed up collection of accounts receivable, or reduce discretionary spending to name a few). We encourage you to be proactive and work on developing a positive relationship with your bank manager.

Don't wait until you run into a financial roadblock. Communicate on a regular basis and keep your banker up to date on the financial health of your business.

Next Steps

Now is not the time for complacency. It is important to take stock of your whole operation and look for areas to change/improve, and also keep a look-out for emerging opportunities in the marketplace.

ROCG is a global consulting firm specializing in helping owner managed businesses to achieve success. To discuss how your company might benefit from a Business Diagnostic Service, contact: Peter Spratt, CHRP or Leslie Yeates, P.Eng at 905-623-7431. www.rocg.com

Financial forecasting in uncertain times

The global financial system has recently suffered a severe and virtually unprecedented blow.

In the coming months, four factors need to fall into place to provide the foundation for an economic recovery in 2010:

1. Home prices must hit bottom.
2. The cost of funds to financial institutions must fall.
3. The worst in corporate failures will need to be in the rearview mirror.
4. The process of recapitalizing the financial system must be well under way.

Even under these assumptions, we don't expect a return to the status quo. While the financial constraints on the economy will gradually abate, financing costs will probably remain higher than the low levels that prevailed earlier in the decade. In addition, the improved balance sheets of financial firms will

mean credit will be tighter.

After a lengthy period of financial difficulty, there's always the risk that credit availability will dry up, with consumers and businesses paying the ultimate price. So far, the Federal Reserve and the U.S. government have taken aggressive action to mitigate that risk. However, financial and fiscal stimulus measures aren't a magic wand making problems go away instantly.

We're in this together The U.S., by far Canada's largest trading partner, accounts for three-quarters of all Canadian trade. Combine that relationship with the slump in commodity prices and it is clear that the Canadian economy will continue to be rocked by association.

Once credit conditions begin to improve, markets

should turn their attention back toward economic fundamentals, which would be positive for the Canadian dollar. Canada came into this crisis on a much more solid footing than the U.S., and should be able to pull out much faster.

This article excerpt is from TD Commercial Banking's Winter edition of Business Insights. Find the full article at www.tdcommercialbanking.com/business_insights_winter09.pdf.

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