



# AdamsonPVFSupply

BY JOAN ADAMS

## Joan's Top 10 Ways To Achieve A Successful 2005

Well, here we are – a good few weeks into the New Year – and how are those New Year's resolutions holding up? If the daily five-mile jog and the Atkins diet resolutions have gone the way of the dinosaur (only a lot faster), here are my thoughts (I won't doom them by calling them resolutions) for making your business more successful in the New Year.

**1. Outsource.** Nobody does everything well – and while this may sound obvious, far too many small companies get into serious trouble because they try to do everything. You are in the PVF business. When you need non-PVF work done, go outside. Outsource your payroll, your printing, your accounting, your Web design, etc. At first, this route may seem expensive – but doing these things badly, wrong or not doing them at all – is much, much more costly in the end.

**2. Understand what you do well.** To paraphrase Tom Peters, stick to the PVF. Once you have outsourced all that stuff you don't know how to do – and have no business trying to do – focus on what you do well, on where you make your money. Once a year (now would be a good time) perform a strengths and weaknesses analysis on your company. Involve your staff. Talk to your customers. PVF component expertise, ready-to-ship inventory, and exceptional customer service are all strengths. Make your strengths even stronger. When you excel in what you do, you can charge for it.

**3. Change.** It is not so much that change is inherently good, but that not changing is fatal. The business world and yes, our PVF neighborhood, is littered with

*Stick to the PVF.*

*Outsource everything else.*

companies that got off to a brilliant start and then couldn't (or wouldn't) adapt to the new customer and market needs. Compare a list of the customers who brought in the most revenue 10 years ago to your current biggest revenue customers today. I bet the list has changed. Start thinking about it – different customers in different industries have remarkably different needs in terms of components and service. They've changed, have you?

**4. Technology.** If you haven't already, get on the technology bandwagon, right now. You can't keep track of inventory, deliveries, A/P or anything else on paper anymore. Too labor intensive, far too susceptible to error, and too darn slow. You can go willingly into the 21st century or your customers can drag you there kicking and screaming. There are many systems out there that are developed for supply house type businesses. Properly armed with a good computer system, you can track and measure most everything: sales rep productivity, inventory turns, customer buying patterns, etc. And by the way, think your competition isn't doing this? They are.

**5. New blood.** Family and friends can be a great resource – but Uncle Joe may not be cut out to run the warehouse and Cousin Jane may not be the best person to do your accounting. Small businesses often rely heavily on family and friends when starting up – some of whom are instrumental in growing the business, but

others are not ready for prime time. You need to employ people based on competence. When looking for new employees, go outside the industry from time to time. The PVF world, like others, can get particularly introspective, if not downright myopic about its business. And always remember why you created your business – I bet employing the entire family tree was not one of them.

**6. Goals for 2005 – have a plan – set goals.** In order to be motivated, your people need to know what their purpose is, where they are going and what they are striving for. The CEO / owner needs to set goals that support the company's vision. Company goals should be simple:

- Get 10 new customers in region X, region Y, region Z.
- Improve on-time deliveries to 90%.
- Increase revenues from selling inventory management services by 15%.
- Etc.

Start the year with a handful (three or four) of realistic goals. Armed with goals, your people can and will deliver.

**7. Margins.** Not understanding your margins will kill you faster than an economic downturn. You know the old bad joke about the poor guy who is selling below cost, but is sure that he is making it up on volume. You would be surprised how many warehouses do just that. They buy valves for \$50/piece, then sell them for \$55/piece, comfortable in thinking they are making a tidy \$5 profit per valve. Yet the overhead, handling, inventory, etc., cost runs about \$7/valve – so in fact for each and every valve they sell, they are out \$2. Revenues are up, but they are in deep trouble.

## Adams on PVFSupply

**Cash is king.** At the end of the day, it is all about cash flow. You can have great vendor partnerships, a long list of delighted customers, fat margins and customer service that is the envy of the entire PVF world – but if you can't make payroll or pay the bills on time, you have a problem. This happens to the best of companies. Think of the nature of the PVF business. You rent the warehouse, lease the trucks, buy the inventory. A lot of cash has gone out the door before you make your first sale or deliver an order. And then, you still have to wait 30, 60 or more days to see the money. Never, ever take your eye off the cash.

**Training.** An investment in your employees will pay itself back handsomely. Why buy a new system or upgrade your existing system if your people don't know how to use it? How about your salespeople and warehouse workers – do they know your products? Do they know what's in stock and where? Can your company fill orders quickly and correctly all the time? Training reduces a myriad of errors and errors cost money. Start looking into training programs now.

**Better data, better decisions.** Accurate data will help you manage your cash flow and your costs. Now you can price your goods and services with profitable margins. You will be much wiser about your customers, your suppliers – and the list goes on. Now you can manage by the numbers – the only way to manage.

Good luck with the top 10! And let me take a moment to wish all of you a happy and profitable 2005. Throughout the year, don't hesitate to contact me with questions, suggestions and comments. <<

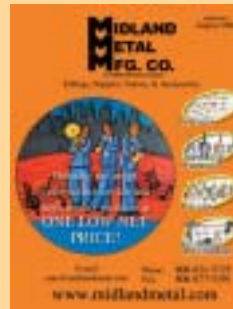
*Joan S. Adams has consulted for industrial clients for more than 15 years. She headed DITT, the consultancy arm of the French National Utility, Electricité de France, and was a managing consultant at A.T. Kearney. Later, she started Pierian, a consultancy that brings sustained and measurable success*

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