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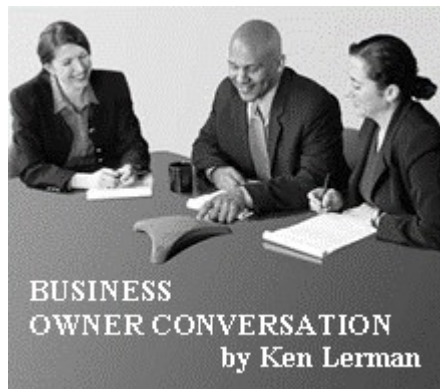
## “W” Recovery: Wisely Reinvest in Business Assets

From the September, 2009 issue of *East Wichita News*  
by Ken Lerman

The economic recovery is shaped as an elongated W – WWWW – and it will rise, pause and fall again in both large and small markets over a number of years. Recovery from the last great U.S. depression/recession began in 1933 but didn't get underway till 1948. During this recovery when the past is often irrelevant, economists, consultants and their clients might be better served by looking ahead versus to the past, It's a new world and business must pursue and enjoy their new opportunities!

Consumers are seriously saving. They will not spend their demand dollars anytime soon. There will be an uptick during the approaching holidays and decline during 1<sup>st</sup> Quarter '10. There will be times when selected manufacturing will shine and dim. One out of ten people who want to work in south-central Kansas can't find work. More layoffs in aircraft are expected.

In June, I wrote about this recovery including "patchwork political and social economies that cause discomfort and uncertainty." When this recovery distances itself, government will hold a much larger role and rule in business. I suggested to business owners through an outline of activities "to do more with what you have." I hope you took action on that suggestion.



follows.

### LEAN, ACTIVE, STRATEGICALLY PLANNED

When slow, wise businesses take advantage of becoming more lean and efficient; training on strengthened quality procedures and standards while also planning fresh, sometimes "greener" less energy intensive solutions for current and new users. New market and category diversifications are part of current marketing and sales plans with improved, targeted products, strategically repositioned and restaged to new user groups.

Wanting to support their planned initiatives of leaner production while attempting to build new market demand, owners question "When and how are the right times to re-invest in the purchase of new assets and equipment, especially during prolonged periods of economic and market adjustments?"

In preparation for my presentation of "Doing More With What You Have," a September keynote to a large well known national association of businesses, I recently canvassed owners and presidents of diverse large, mid and small business across the U.S. What they shared with me and what they asked of me

“Given the continual shift of our economies here and abroad, the up and down markets for raw materials, for credit and equipment, what factors will you look at and consider to best prepare your business in making a significant asset purchase decision?”

“Does an annual average reinvestment of 5% sales still appear to be correct given prolonged uncertainty?”

### **BUSINESS ASSET ACQUISITION FACTORS**

The following list is straight-forward for this brief business article. There are additional factors to consider which we will discuss at the October 1 seminar at the Wichita Marriott titled, “The Smarter Business Owner - 2010.” This business seminar is sponsored by the *East Wichita News* and is written and presented by me – Ken Lerman.

Factors include: negotiated purchase price and interest rate, financing, finance charges, and credit availability.

Consider how big is your current and future need for this asset replacement. What would waiting do for you?

What is your estimated cost reduction benefit from this new asset over the next 3 years? What are the revenue and profit magnitudes expected from this new asset – when?

What are the depreciation schedules on the old equipment or asset? How obsolete is the asset? Can it be sold? Are there tax credit benefits attached to this asset acquisition or on the sale of the older equipment or asset?

How affordable is the estimated repair and maintenance schedule for your current asset? What impacts and expense will the new asset have on your plant or facility? Are there space reconfiguration costs?

What impacts – good and bad – would acquisition of this asset have on personnel, labor costs, scheduling and training? Asset acquisition such as the purchase of new equipment might require new talent acquisition and development of current employees.

Finally, yes – 5% of sales annually reinvested in business productivity and increased performance appears correct among businesses who are somewhat insulated from current business recession erosion. A St. Paul, Minnesota owner told me, “We’ve chosen not to participate in this recession.”

I hope to see you on October 1 at the Wichita Marriott.

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