CaseStudy

This monthly feature shows how business experts have helped entrepreneurs address specific issues that face small businesses.

Business owner finds discipline, profit

By Janet Rorholm

After a few exhausting years in the red, Dennis Haefner, president of Ideal Computer Systems Inc. of Marion, finally bit the bullet and hired a business coach.

"I was driving myself nuts," he said.

Haefner turned to Doug Wick, owner of Positioning Systems, because he was a certified E-myth business coach. Haefner had read about the E-myth by Michael Gerber and related to his premise that most businesses are started by people who know little about business and more about their trade.

Haefner was a programmer running a software company with 34 employees.

"You just kind of do what you think makes sense," he said.

After looking at what he wanted in life and in his business, Haefner, who knew he wanted change in both areas, forced himself to become more disciplined.

Personally, he went on a diet and lost 35 to 40 pounds. Professionally, he set about making time in his busy day to work on his business rather than in it.

"One of the things he has done best is recognize that in order to change his business, he would have to change, too, ..." Wick said. "You need to have discipline as a business owner."

Haefner found that to focus on what he needed to do with his business, he had to get away from the business.

"What I did initially, was to take an hour and a half lunch. I would eat for a half-hour and then work on this for an hour," Haefner said. "I would go somewhere because I didn't want the distractions."

The work paid off. The company went from losing money for three years straight to making a net profit between 6 percent and 10 percent, Haefner said.

"Our revenues went up as well as our profit margins," he said.

One of the first areas that they tackled was the company's cash flow problems. Wick said
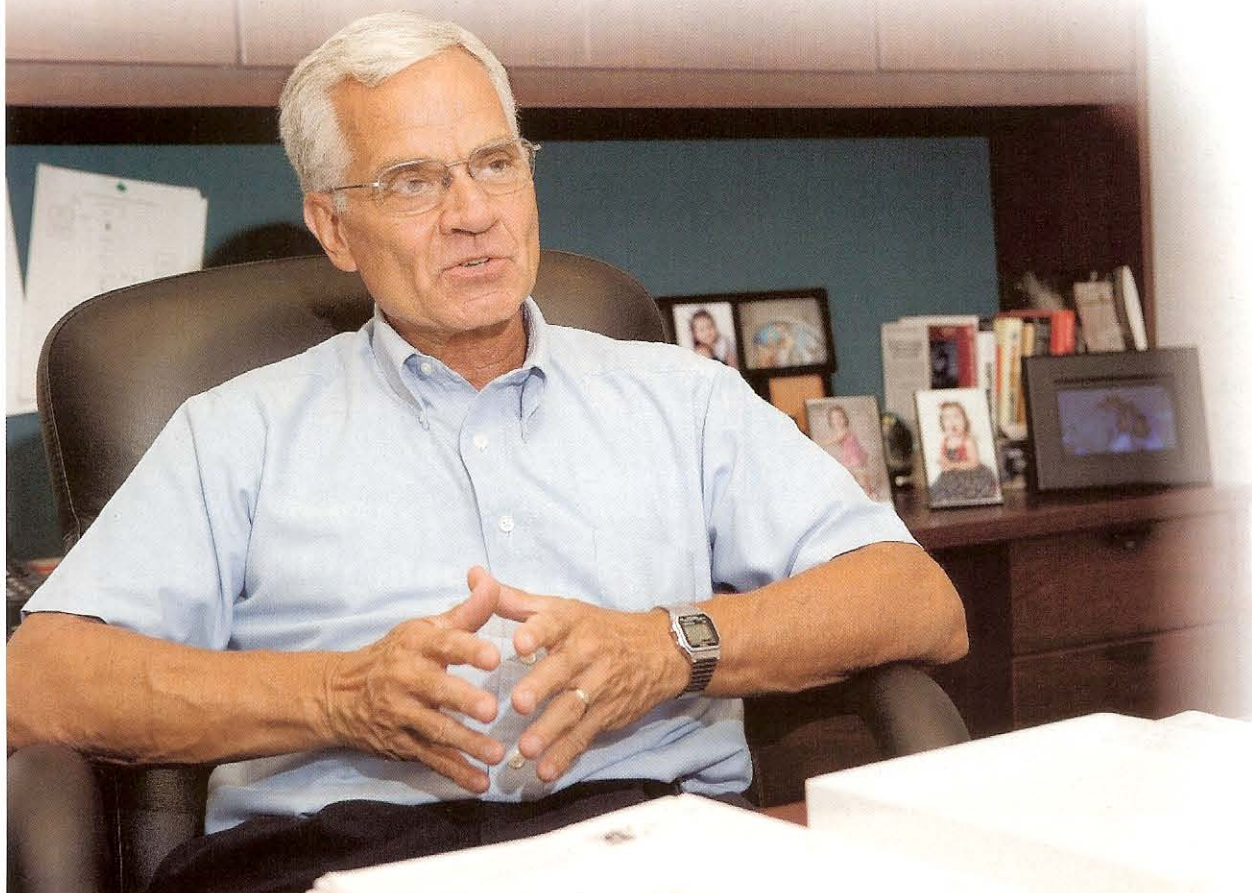
Dennis Haefner, co-founder of Ideal Computer Systems in Marion, wanted to see changes in his life and in his business so he forced himself to become more disciplined and found success. Mark Tade photo/EdgeBusiness

he often finds that businesses have trouble in two main areas: pricing and billing, which can lead to cash flow problems.

Wick said often many business owners are not as aggressive as they should be in their pricing. They also don't have a good process to handle billing and collections.

"It's a common problem," Wick said. "The biggest reason was he wasn't paying attention to it. Once he started concentrating on it, it made all the difference in the world."

Staff had been sending out bills at the end of the billing cycle rather than the beginning and they would expect payment in 10 days, but wouldn't start calling when they hadn't received payment for 30 days, Wick said.

Haefner said the company never had a process in place to stipulate when to seek collections. Not only did that contribute to the company's cash flow problem, but it also left a lot of bills uncollected. When staff got around to calling for payment, they'd sometimes find the person went out of business last week.

"If you're the one asking, you have a better chance of getting your money," Haefner said.

The company now bills customers quarterly in advance and gives customers a discount for paying in advance.

Next, Haefner and Wick tackled Ideal Computer Systems's accounting process to deter-mine the break-even point. By figuring all the fixed expenses, the company could determine how much it had to sell to see a profit.

"We never had an absolute break-even num-ber," Haefner said. "Sure we could see profit and loss, but we couldn't see all the true costs."

Through that analysis, Haefner found that the company was making money on support — not sales.

"It makes you see where your problems are," he said.

That analysis led Ideal Computer Systems to begin marketing its product differently, Haefner said. Instead of just hiring a sales representa-tive and just letting him sell, the company began emphasizing how its product can help businesses.

Ideal Computer Systems also began market-ing differently after analyzing demographics of its customers. Both aspects led to improved sales, Haefner said.

Haefner said the systematic approaches he's taken to improving his business has paid big dividends.

"His business runs so well without him now that he actually takes one week out of every four to spend a full week at his vacation home in the Ozarks," Wick said. "It is possible to get personal and financial freedom from your business. However, it takes real discipline, and Dennis is a good example of that."