

BUSINESS TIPS FOR SURVIVING WHEN THE GOING GETS TOUGH.....

Cash is best

It may be an old cliché, but it's still true – turnover is vanity, profit is sanity but cash is reality. When times are tough, sales are more difficult, debtors take longer to pay, and banks are more reluctant to lend. In other words, cash is harder to come by.

So, make sure that you know what your cash requirements are likely to be both in the short and longer terms. Try to negotiate terms with your suppliers that are as long as possible, and terms with your customers that are as short as possible. Consider the impact on your cash flow of that big, juicy contract that you've been chasing.

Most importantly manage your cash position regularly – preferably daily.

Know your clients and your customers

Make sure that you sell to people who can and will pay you. Good credit control starts before you make the first sale. Know who your customer is – is it a sole trader, a partnership, limited company? Carry out credit checks as far as you can, even for existing, longstanding customers; set credit limits - and stick to them.

Understand which are your “good” customers – those who regularly pay on time with few, if any, queries – and which are your “bad” customers – invariably late payers, who query everything and regularly break promises. Ask yourself whether you actually want to do business with them. Be suspicious of round sum payments, or payments which don't easily reconcile with sales ledger entries.

And keep your ears open for rumours on the grapevine.

Keep close to your bank (when you need to..)

It's not up to your bank to solve your problems for you, but they're much more likely to help if they know about looming problems in good time. So keep your bank manager fully informed of what's going on in your business, and give him as much notice as you can of any difficulties and of any help that you may need. Remember that banks only make money by lending money, so they want you to prosper and to keep borrowing from them – but only if they believe that you're a good risk and that they'll be able to recover their loans.

Control your costs, all of them!

In good times, costs tend to escalate with little challenge. When times are tough you need to be much more controlled.

Review all costs very carefully, asking yourself what costs you actually need to incur to run the business, taking a bottom up, rather than a top down, approach. Take the opportunity to review prices with your suppliers; check invoices received. Ask yourself who in the business is authorised to make place orders – as a general rule, the fewer the better.

Above all, make the tough decisions when you still have options, not when you're forced into them.

One word of caution – don't automatically cut marketing expenditure. There's still business to be done even in the toughest of times, and you want to be in a prime position when better times arrive.

Monitor your financial position

Having put your plan in place, then regularly review performance and progress against that plan – especially cash flow. Be focussed on implementing the strategy. If everything does go wrong you may be required to justify your decisions with hindsight. So make sure that you have the evidence available by keeping notes of decisions made and of the reasons for them, and minutes of important meetings.

Align Bonuses and rewards

Staff motivation can take a hammering when times are hard so, having set your strategy and objectives it's absolutely vital that you're clear and transparent in communicating with your people, that they understand what you're trying to achieve and what's expected of them. Remember the "golden thread" which runs from strategic goals, through to individual objectives, and from objectives through to remuneration. Think about rewarding sales teams, for example, not just on the basis of units sold, but on profit per unit or the speed of cash flows.

Sanity check

Investing in new assets can bleed a business of cash just when it needs it most. Any investment decision should be preceded by the question "Is this new asset critical to the business?" If the answer's "no" then why are you buying it? There's not much point in having a fountain in reception or a flagpole at the front of the building if the business is about to go bust. And avoid investing in status symbols – do you really need that new car or can it wait till next year?

Do you need ALL your staff?

It may be true that "our people are our biggest asset" or that "we need to keep our people", but no-one will thank you if the result of "keeping our people" is that the company goes bust and everyone's out of work. Of course you shouldn't throw away talent unnecessarily – consider the costs of recruitment and the consequences for the business of losing the expertise of valuable staff – but labour is often one of the biggest costs and cuts may well have to be made. Never allow emotion to cloud your decision-making. Decisions should be based upon what's best for the business, not on relationships or length of service.

Protect your personal position

Keep your personal resources separate from the business's finances. Lenders will inevitably want to protect their own positions as far as they can, so if you have to fund the business personally, either through injecting more funds or giving personal guarantees, make sure that you do so for the right reasons, and not just because you can. It might be worth considering whether you can take some security yourself, but always avoid throwing good money after bad.

Oh, one final tip, TAKE ADVICE, when bailiffs are at the door, the bank's not paid the staff wages and the landlords just changed the locks, your business may not survive but the team at JD LAW can assist whatever stage you and your business are. Call **0844 8248913** or e-mail info@jdlaw.co.uk