



Business Management Tips: *For Tight Economic Times*

As companies struggle to manage costs, find new sources of revenue and operate more efficiently they sometimes forget the basics. With the economic environment set to tighten the day-to-day management of your business will become more critical to its ongoing success.

Here are some tips that every business owner should consider as part of his or her day-to-day business activity.

CASH

Stay on top of your cash situation

Take time to prepare cash flow projections for the next 12 months and revise weekly if needed.

Most businesses fail through lack of cash, not from lack of profit.

Closely monitor Accounts Receivables

Process invoices immediately, distribute an outstanding accounts receivable statement weekly and take action on late accounts immediately.

Start with a polite but firm personal call and don't get off the phone without a commitment to a payment date. A few days improvement in collections will make a huge difference in cash flow.

FUNDING

Review your long-term financing

Are you financing long-term growth (or assets) with short-term funding such as a credit line? If so, see your banker about getting it changed.

Get funding now

The worst time to get financing is when you are about to run out of cash. Arrange for loans and lines of credit. Your cash flow projections from tip one will help you figure out how to pay it back.

UNDERSTAND YOUR BUSINESS & ACCOUNTS

Insist on good financial data

Accurate **timely** financial statements are critical in tight economic times. Don't accept excuses. Your bankers and stakeholders will love you for it.

Know your key business drivers and manage them

Keep a careful eye on areas that affect cash flow: accounts receivable collections and inventory turnover.

Watch key areas that affect profits, net and gross margins, labour, maintenance and fixed asset utilisation.

How are you doing compared to your past performance and your peers?

Understand and use break-even analysis

Do you know your contribution margin? If not, you won't know how much more you need in sales when costs rise or prices fall.

At the same time you'll know how much to cut if sales decline and analyse the need for expansion and capital decisions.

Don't turn financial decisions over to others

It is **your** business!! There's no need to turn yourself into a CPA, but you must be able to read and understand financial statements, talk with financial people and assess your company's performance.

CUSTOMERS

Stay close to your clients

This will generate good will for you, give you a chance to spot new opportunities and provide an early warning in the event their industry isn't doing well.

RESOURCES

Have good advisors and use them

Make sure you have a solid team of outside advisors, meet with them regularly and listen to what they say.

A QUOTE TO CONSIDER

"Opportunity is missed by most people because it is dressed in overalls and looks like work"

Thomas Edison