



6 Tips for Survival in an Economic Downturn

By Doug Richard, entrepreneur and contributor to VentureNavigator (www.venturenavigator.co.uk).

1. CASH IS KING.

Manage cash - if you're out of cash and out of credit, you're out of business. You need a good 13 week cash forecast, generated NOT from the income statement but from a detailed understanding of receipts and disbursements. Monitor trends in your cash flow to keep on top of any sticky situations.

2. COLLECT WITH PASSION.

On a related point, manage receivables aggressively. Businesses are holding on to their cash longer than before, resulting in late payments. These late payments are having a ripple effect through the SME community. Receivables will trend up, and some of your customers may become troubled as well. Don't keep extending credit.

3. DON'T DEPEND ON ANYONE.

Keep a close eye on your suppliers, and have alternatives. In a downturn, some of your suppliers may become troubled as well, and you need to think about alternative sources for your critical inputs.

4. YOU CAN ALWAYS CUT MORE.

You can forecast expenses, you can't forecast revenue. Look for places to cut expenses. When times are good, companies tend to add staff and expenses that are nice to have, but not critical. It's time to take a fresh look at those.

Keep focus on core markets and spend money solely in those areas. Avoid putting cash and time into areas that have proven less profitable.

Many companies begin by cutting advertising / marketing budgets. This can be a mistake. Instead of cutting these budgets, review the methods you are using. Are there more cost effective routes to market? Does your current strategy bring in the right results? If not, rework your efforts to deliver the best possible results.

5. TALK TO YOUR LENDERS.

If you have debt financing, stay in communication with your creditors. Don't wait until it's too late before speaking with your lender. When you are already in a crisis and haven't provided any warnings, situations may prove tricky. Maintain constant communication. It will help you should you ever need to renegotiate terms.

6. BUSINESS SURVIVES ON THE BOTTOM LINE. NOT THE TOP LINE.

Don't worry about growing revenue. Worry about growing profit...Make sure you understand what drives profitability in your business. To spur demand, you may have to get creative with pricing and product offerings, and you don't want to put something out there that is actually unprofitable.

Consider diversifying to make the most of potential opportunities. Others' weaknesses and instability could work to your advantage. You never know – you may identify a new market.

www.venturenavigator.co.uk