

# [Survival tips for small businesses 1683](https://assignbuster.com/survival-tips-for-small-businesses-1683/)

You

may be in Mail Order, Direct Mail, or you may be a local

merchant with 150 employees; whichever, however or

whatever... you've got to know how to keep your business

alive during economic recessions. Anytime the cash flow in

a business, large or small, starts to tighten up, the money

management of that business has to be run as a " tight ship."

Some of the things you can and should do include

protecting yourself from expenditures made on sudden

impulse. We've all bought merchandise or services we

really didn't need simply because we were in the mood, or

perhaps in response to the flamboyancy of the advertising

or the persuasiveness of the salesperson. Then we sort of

" wake up" a couple of days later and find that we've

committed hundreds of dollars of business funds for an item

or service that's not essential to the success of our own

business, when really pressing items had been waiting for

those dollars. If you are incorporated, you can eliminate

these " impulse purchases" by including in your by-laws a

clause that states: " All purchasing decisions over (a certain

amount) are contingent upon approval by the board of

directors." This will force you to consider any " impulse

purchases" of considerable cost, and may even be a

reminder in the case of smaller purchases. If your business

is a partnership, you can state, when faced with a buying

decision, that all purchases are contingent upon the

approval of a third party. In reality, the third party can be

your partner, one of your department heads, or even one of

your suppliers. If your business is a sole proprietorship, you

don't have much to worry about really, because as an

individual you have three days to think about your

purchase, and then to nullify that purchase if you think you

don't really need it or can't afford it. While you may think

you cannot afford it, be sure that you don't " short-change"

yourself on professional services. This would apply

especially during a time of emergency. Anytime you commit

yourself and move ahead without completely investigating

all the angles, and preparing yourself for all the

contingencies that may arise, you're skating on thin ice.

Regardless of the costs involved, it always pays off in the

long run to seek out the advice of experienced

professionals before embarking on a plan that could ruin

you. As an example, an experienced business consultant

can fill you in on the 1244 stock advantages. Getting

eligibility for the 1244 stock category is a very simple

process, but one with tremendous benefits to your

business. The 1244 status encourages investors to put

equity capital into your business because in the event of a

loss, amounts up to the entire sum of the investment can be

written off in the current year. Without the " 1244"

classification, any losses would have to be spread over

several years, and this, of course, would greatly lessen the

attractiveness of your company's stock. Any business

owner who has not filed the 1244 corporation has in effect

cut himself off from 90 percent of his prospective investors.

Particularly when sales are down, you must be

" hard-nosed" with people trying to sell you luxuries for your

business. When business is booming, you undoubtedly will

allow sales people to show you new models of equipment

or a new line of supplies; but when your business is down,

skip the entertaining frills and concentrate on the basics.

Great care must be taken however, to maintain courtesy

and allow these sellers to consider you a friend and call

back at another time. Your company's books should reflect

your way of thinking, and whoever maintains them should

generate information according to your policies. Thus, you

should hire an outside accountant or accounting firm to

figure your return on your investment, as well as the

turnover on your accounts receivable and inventory. Such

an audit or survey should focus in depth on any or every

item within your financial statement that merits special

attention. In this way, you'll probably uncover any potential

financial problems before they become readily apparent,

and certainly before they could get out of hand. Many small

companies set up advisory boards of outside professional

people. These are sometimes known as Power Circles and

once in place, the business always benefits, especially in

times of short operating capital. Such an advisory board or

power circle should include an attorney, a certified public

accountant, civic club leaders, owners or managers of

businesses similar to yours, and retired executives. Setting

up such an advisory board of directors is really quite easy,

because most people you ask will be honored to serve.

Once your board is set up, you should meet about once a

month and present material for review. Each meeting

should be a discussion of your business problems and an

input from your advisors relative to possible solutions.

These members of your board of advisors should offer you

advice as well as alternatives, and provide you with

objectivity. No formal decisions need to be made either at

your board meeting, or as a result of them, but you should

be able to gain a great deal from the suggestions you hear.

You will find that most of your customers have the money

to pay at least some of what they owe you immediately. To

keep them current, and the number of accounts receivable

in your files to a minimum, you should call them on the

phone and ask for some kind of explanation why they're

falling behind. If you develop such a habit as part of your

operating procedure, you'll find your invoices will magically

be drawn to the front of their piles of bills to pay. While

maintaining a courteous attitude, don't be hesitant, or too

much of a " nice guy" when it comes to collecting money.

Something else that's a very good business practice, but

which few business owners do is to methodically build a

credit rating with their local banks. Particularly when you

have a good cash flow, you should borrow $100 to $1, 000

from your banks every 90 days or so. Simply borrow the

money, and place it in an interest bearing account, and then

pay it all back at least a month or so before it's due. By

doing this, you will increase the borrowing power of your

signature, and strengthen your ability to obtain needed

financing on short notice. This is a kind of business leverage

that will be of great value to you if or whenever your cash

position becomes less favorable. By all means, join your

industry's local and national trade associations. Most of

these organizations have a wealth of information available

on everything from details on your competitors to average

industry sales figures, new products, services, and trends. If

you are given a membership certificate or wall plaque, you

should display these conspicuously on you office wall.

Customers like to see such " seals of approval" and feel

additional confidence in your business when they see them.

Still another thing often overlooked: If at all possible, you

should have your spouse work in the business with you for

at least three or four weeks per year. The important thing is

that if for any reason you are not available to run the

business, your spouse will be familiar with certain people

and situations about your business. These people should

include your attorney, accountant, any consultants or

advisors, creditors and your major suppliers. The long-term

advantages of having your spouse work four weeks per

year in your business with you will greatly outweigh the

short- term inconvenience. Many couples share

responsibility and time entirely, which is in most cases even

more desirable. Whenever you can, and as often as you

need it, take advantage of whatever free business

counseling is available. The Small Business Administration

published many excellent booklets, checklists and

brochures on quite a large variety of businesses. These

publications are available through the U. S. Government

Printing Office. Most local universities, and many private

organizations hold seminars at minimal cost, and often

without charge. You should also take advantage of the

services offered by your bank and local library. The

important thing about running a small business is to know

the direction in which you're heading; to know on a

day-to-day basis your progress in that very direction; to be

aware of what your competitors are doing and to practice

good money management at all times. All this will prepare

you to recognize potential problems before they arise. In

order to survive with a small business, regardless of the

economic climate, it is essential to surround yourself with

smart people, and practice sound business management at

all times.