

Business Survival in Tough Times

By David Dunn

Being successful in business is tough--always. However, when the economy slumps and stays down for a period of time, many business owners' thoughts turn from being successful to merely surviving. The successful owners do more than just think about it...they act!

Businesses that were founded in the early 1990s cruised along for ten years or so riding the crest of an economic wave unlike any ever seen in America. Making profits was common in the business community. However, over the past three years, operating profitably has become much more difficult to accomplish. For example, in 2000, there were 40 mobile home manufacturing facilities operating in Georgia. Twenty-five of those plants are now closed, and only 15 of the 40 continue to operate today! What made these 15 different? Why are they surviving? They could not change the dire economy, but they could (and undoubtedly did) address several internal issues to make them more efficient and profitable.

It starts at the top. Employees look to "the boss" for leadership in difficult times. These people read the papers, and they aren't stupid. They know that many businesses are struggling and some are closing down, and they want to know if theirs is next. These uncertainties affect them, and when your employees' minds are not on their

jobs, it costs you money in terms of mistakes, accidents, and lack of productivity. Thus, the owner/manager of the company has to display energy and self-confidence, whether he actually feels it or not. Why? Leading by positive example will help to reinvigorate the workforce. Meet with the employees and tell them what the company is doing to strengthen itself. Also, ask for their input. Remember that they have a stake in this, too.

With quality leadership in place, the first step in righting a sinking business ship is to closely examine the expenses and reduce them whenever possible. A huge, company-saving reduction is probably not going to be found. Expenses are usually reduced a dollar here and a dollar there. This seems like a lot of work for a little return, but it adds up--every dollar of expense cuts is a new dollar of positive cash flow! New sales can help, but they can't do that. A new dollar of sales nets only five or ten percent on the bottom line. The expense reduction is the key to survival.

So, where do you look for these potential savings? Everywhere! Personnel, pens, paperclips, price tags, and personal perks--*nothing* should be exempt from examination. Cut the fat! Reduce expenses until the company is profitable again. The reductions may actually prove to be such that they can be carried over into more prosperous

periods, making the business even more successful in the long term.

Look very closely at the payroll. No one likes to let people go, but payroll is often the quickest, easiest place to find needed cash. As business increases, many times companies fatten their payrolls with more employees than they really need. These people are great to have around to make the operation easier, but if they are not adding anything to the bottom line, they are not affordable in a poor economic environment.

If the situation gets bad enough, the company's debt structure is another area to examine for potential improvements in cash flow. Banks and vendors that are owed money tend to get really nervous if they hear there is a potential problem with a company. Contact them before they contact you and *confidently* outline to them how you intend to pull through these difficult times.

Be prepared when approaching your creditors. Businesses do not borrow themselves out of debt, but adjustments to terms can sometimes be done to strengthen a firm's cash flow. Banks and vendors will often work with companies--to a point. They don't want to have to write off what they are owed, and they don't want your business assets.

Finally, for goodness sake, do not ignore the taxing authorities! They will

usually work with you in settling a debt, but they do frown heavily on non-payment. Go to them first if you wish for them to be kinder and gentler; don't let them have to come to you.

Businesses can survive tough times. However, it is worrisome and it

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is hard work. Typically, poor economies are testing grounds for owners/managers. Only the best companies survive. Look at every detail of your operation, make the tough decisions, be one of the best businesses, and be poised to prosper as the economy improves.

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