

Lead Your Company through an Economic Slowdown

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During periods of economic decline entrepreneurs are most likely to bear the brunt economically. Do not bury your head in the ground waiting for things to get better. Look how your business can leverage this time to actually increase your opportunities to outsmart larger competitors who, during a downturn, carry on with business as usual or are unable to adapt quickly. Proactive small business entrepreneurs can actually thrive:

- A. Maintain a strong cash stream throughout the downturn, in contrast to other companies that may have liquidity problems.
- B. Become a leaner, more cost-effective and more efficient operation, better positioned to do well when the market improves.
- C. Gain market share by taking it away from competitors unable to adjust to shifting market conditions.

The challenge is to be aggressive and imaginative. Entrepreneurs who survive and prosper during hard times look beyond the present day to overcome the constraints of tradition. They see the firm from a new perspective, and to do business differently. A status quo attitude will assure a steady decline and possible failure.

1. **Monitor your cash flow very diligently**
 - a. Create weekly, monthly, quarterly cash flow reports
 - i. Keep it simple
 - ii. Know where your money is going
 - b. Don't rely solely on balance sheets and income statements
 - i. Balance and Income Statements report the businesses past not today and the future
2. **Eliminate nonessential expenses as much as possible.**
 - a. Separate "nice to do" from "have to do"
 - b. Look hard at capital spending - will it create profit?
3. **Watch your inventories carefully**
 - a. Reduce inventory levels
 - b. Sell off slow moving inventory at a discount
 - c. Do not reduce so tight that you lose sales
4. **Build up your capital reserves**
 - a. Reduce or stretch out debt payback
5. **Get aggressive with collections**
 - a. Reduce you Accounts Receivable (AR) aging – call your slow payers
6. **Strengthen banking relationships**
 - a. let lenders know the company's financial position

7. **Look for opportunities to reduce rented space**
 - a. Sublease if possible

8. **Be aggressive in the marketplace**
 - a. Avoid reducing advertising and promotional expenditures

9. **Don't skimp on service and quality by being understaffed**
 - a. Use Part-time and subcontractors to fill gaps

10. **Call your current customer base and induce additional sales**
 - a. Communicate your confidence during the down times
 - b. Good service cannot be overstressed

11. **Avoid reducing training budgets**
 - a. Take advantage of the slow times
 - b. Create in-house training opportunities
 - c. Cross train staff in different rolls – turn “specialists” into “ multi-taskers”

12. **Involve employees in methods and implementation of cost reducing ideas.**
 - a. Job sharing
 - b. Completing more work in-house

While economic downturns are admittedly difficult and increase the obstacles small businesses face during challenging times, it is not an automatic that companies slash earnings and compress their market share to survive. Slashing and compressing occurs when a leader takes too long to see the downturn and they fail to strategize on what must be done. Ignoring reality and lack of planning from owners and managers who resist change cause reactive decisions that may be difficult to recover from. Resourceful entrepreneurs take advantage and capture opportunities, they take advantage of the extra time to develop action plans and take steps during today's hard times to lay the groundwork for tomorrow's prosperity.

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