



UNITED STATES GOVERNMENT
Small Business Administration
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MANAGING YOUR BUSINESS IN A TIME OF ADVERSITY

By Bruce L. Hodgman

The current economic crisis is just a reminder of the importance and benefits of having a sound strategy that you can use to navigate through turbulent times. Arizona small business owners should not hesitate to seek assistance from qualified sources such as their certified public accountants, attorneys, or small business counselor to help you make intelligent financial decisions for the future of your small business.

In the meantime, below are some tips to help you assess your current financial condition and start rethinking your business model to face the current economic challenges you may find yourself in right now.

1. **DON'T PANIC.**

- We have seen too many small businesses make bad decisions because they react in a panic mode.
- Take a deep breath, assess the situation, and analyze the facts. Be realistic!
- Make sure you clearly understand what is causing the problem – economy, competition, or management.
- Start by reviewing your cash position and anticipated cash needs.
- Are they in line with your business's short-term needs, goals, and market conditions?
- Don't engage in panic selling of any personal or business investments.
- Make sure your personal retirement portfolio is diversified and in accordance with your risk tolerance.

2. **GET A HANDLE ON EXPENSES AND INCOME –PERSONAL AND BUSINESS.**

- Make sure you have a complete understanding of your financial statements – P&L's, Balance Sheet, and Agings. What is my Cash Flow Cycle?
- Am I using a cash flow management tool such as a cash flow budget?
- Are you meeting your budget projections?
- If you have noticed a drop in your revenues, try to determine how much of a drop in revenues your business can handle and for how long? Find out WHY they dropped – is it the economy or people over reacting?
- Determine your cash flow needs for the next 6 to 12 months. What about next year?
- Do you have sufficient cash reserves for the next 30 to 60 days?

3. **FIND OUT WHAT'S YOUR STATUS.**

- Check with your creditors including lenders on the status of your credit lines, debts or loans.
- Make sure you clearly understand and comply with their credit terms or conditions.
- Contact your existing bank and ask if they will renew any credit commitments at similar amounts, rates, and terms.
- Ask if deferments or restructuring is available.
- If your credit lines are frozen or at their maximum limits, consider meeting with vendors and working out a schedule of partial payments that would allow continued delivery of critical materials and supplies.

4. **CUT EXPENSES – TO THE BONE.**

- Determine if you can cut personal expenses then cut business expenses. What will impact my bottom line?
- Minimize the need for credit by reducing or eliminating any non-critical expenses.
- Analyze your expenses and determine which ones can be controlled.
- Can you reduce spending in any areas to put less of a burden on your cash-flow needs?
- As necessary, communicate to staff/team members about the need to tighten spending. Are layoffs an option?
- If you are a manufacturer, review inventory management practices.
- Are there opportunities to reduce your on-hand inventory?
- Service companies should make sure they're capturing all their billable hours and invoicing promptly.
- Have you billed all your contractual items?
- How about all your pass-through expenses, such as billable third-party services and travel and living expenses?
- Consider ways to pass your increased costs (i.e., fuel expense) on to your customers.

5. **WHAT ARE YOUR CREDIT TERMS?**

- Refocus on your balance sheet and how much credit you are extending to your customers.
- Keep an eye on your accounts receivable to see if they balloon.
- Watch for new patterns of slow payments and follow up immediately. Review your largest and riskiest accounts to determine whether credit or economic slowdown will affect their ability to pay you.
- Keep receivables aging current at all times! Know every day what customers that is current, past due, or uncollectible. Find out why and who to contact.
- Look for A/R Options such as change of selling terms, collection methods, pricing or alternative financing such as factors.

6. **LOOK FOR INVENTORY PROBLEMS.**

- What selling and what is not.
- Are my inventories in balance or do I have an obsolescence problem? Too much? Not enough?
- What is my Turnover Rate? Where are the profit's?
- What is costing me money?

7. **CUSTOMERS.**

- Who are your customers? What do they look like?
- Where do they live, shop, and how can I reach them?
- Am I keeping track of them?

8. **AM I BANKABLE FOR A NEW CREDIT?**

- Can I get new credit if I must borrow money?
- What sources should I consider?
- What are my credit factors – good and bad?
- Do I know how to manage my existing SBA loan? Can I get a deferment or refinancing?
- Should I ask SBA to review my credit factors to see if I am bankable for a new loan?

9. **ALTERNATIVE FINANCING.**

- Look into alternative types of financing.
- Some to be considered are loans on life insurance policies, loans from key customers that rely on your business for their materials and supplies or from labor unions, local development agencies or local government programs.

10. **MANAGE ACCOUNTS PAYABLE MORE CLOSELY.**

- Forfeiting early pay discounts may be more advantageous in preserving cash that may be needed for critical items.
- Keep payables aging current at all times, because that is an important tool for managing cash flow.

11. **START PLANNING TODAY.**

- Come up with a plan NOW to respond to future declines in cash, before the need actually occurs.
- Dust off your old business plan by bringing it up to date. Change the title to “Recovery Plan” and re-think your business strategies and update projections. Review your product/service lines to identify the most profitable items and determine how to leverage for future growth in profits.
- Do I know my “Break Even Point” exactly?
- Have I completed an accurate direct costing of all products or services? (Important!)

12. **CONTACT YOUR GOOD CUSTOMERS.**

- Make sure they know you will be there for them in the future.
- Even casual discussions can lead to new business opportunities.
- Will more advertising help with income or just add to losses? If yes, what kind of advertising can I afford?

13. **CHECK INSURANCE COVERAGE.**

- Review all your insurance coverage, particularly any from companies with weak balance sheets.
- Be careful not to surrender a policy, as securing new coverage might require underwriting that can affect your coverage.

14. **REMEMBER YOUR EMPLOYEES.**

- Calm your employees' fears about how this crisis will affect the company, their jobs and their retirement or other benefit plans.
- Speculation and gossip are counterproductive, so it's better to address their concerns directly.

15. **STAY FOCUSED ON YOUR OWN ADVANTAGES.**

- Your small business has greater flexibility and can more easily adjust to these economic changes than the larger companies within your industry.
- As a small business owner, you can use the recent crisis as an opportunity to buckle down, refocus, assess, and make your company more financially sound, disciplined and less reliant on credit.

16. **BE PREPARED.**

- No one wants to consider this but *be prepared* if you fail and must close your business.
- What do I need to do in managing an orderly liquidation? How do I keep my creditors in the loop? How do my creditors dispose of my assets? What about deficiency balances? What impact will it have on my credit rating?
- Who do I call? What legal advice should I seek?

Although times are tough and things may seem impossible, remember that you are not alone! This is a situation that is manageable with the help of trusted and experienced advisers. It may be the economy BUT THIS IS YOUR BUSINESS! Roll up your sleeves and sharpen your pencil. make decision and pinpoint problems. Keep track of your efforts and analyze, adjust and review.

If you would like to set up an appointment so that we can assist you in navigating through these tough economic times, please contact one of our resource partners. The SBA has been helping Arizona small business owners just like you since 1953, we understand how these challenging times effect your small business and our resource partners can work with you to help navigate rough economic challenges we all face – for free. Please contact them today to gauge your current situation in the wake of recent market events and create a sound, business recovery plan in response.

SCORE Business Counselors
Small Business Development Center

(602) 745-7250
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“Peak Performance” Assessment & Strategies *How to Survive in a Slowing Economy*



Purpose: The economy has slowed and small businesses are being impacted. This is a practical guide designed to help a business owner assess circumstances, frame new strategies and find appropriate resources.

Quick-Assessment		Yes	No
1.	Do you have a business plan that has been updated within the last three months?		
2.	Has your business revised its performance goals to match the current environment and does it have a process to measure incremental results?		
3.	Do you have an updated marketing plan and budget tailored to the changing environment?		
4.	Do you prepare and monitor monthly financial statements (income & cash flow statements, balance sheet and aging of receivables)?		
5.	Do you know the strengths and weaknesses of your key competitors and have you adjusted your business strategy accordingly?		
6.	Do you have a process to measure customer satisfaction?		
7.	Have you considered possible strategic alliances, merger opportunities or acquisitions of competitors or their product lines?		
8.	Do you have an established process to monitor and control inventory?		
9.	Do you have and use a Customer Relationship Management (CRM) database or process to track, analyze and retain your current customers?		
10.	Have you identified the greatest potential threats to your business?		

Strategies	
Step 1.	Reality Check – Candidly answer the assessment questions above and take appropriate action to address issues receiving a “no” response.
Step 2.	Get Lean and Mean – Review current financial statements, including current accounts receivable and payables with your accountant, mentor or business coach. Identify “5” or more ways to cut costs and increase revenues.
Step 3.	Maximize Cash Flow - Review current monthly payment amounts on business leases, bank loans, credit cards and supplier terms to consider possible re-negotiation of rates and terms. Review your receivables weekly and reach-out to customers with outstanding accounts. Remember, the longer an account is past due, the less likely you are to receive payment. Be willing to offer payment plans to customers who fall behind, but make sure they stick to the agreement.
Step 4.	Look for New Opportunities – Take a step back and review the direction and forward strategies for your business in the current environment. Put things in perspective, recalibrate and explore new business opportunities created by the downturn. Specifically, look for ways to diversify and offer new products and services that can generate new revenue. Identify “5” or more new product and/or service ideas for your business.
Step 5.	Leverage Technology - Technology can serve to enable your business. Use it to track and target customers as well as to improve business efficiencies. If you don’t already have a Web presence or an eCommerce strategy, consider implementing one or both to attract customers from around the world and around the clock. Review

	several Web and eCommerce strategies used by your competitors or other businesses in your industry. Identify “5” ways you can better use technology in your business.
Step 6.	Keep & Hire Quality Employees – Your employees are valuable business assets. Keep the best, hire only quality and liberate those who are not adding value. Make sure your best employees know who they are and how much they are appreciated.
Step 7.	Provide Incredible Customer Service – If you satisfy customer needs and provide incredible customer service, you will exponentially increase the chances for your success. Identify “10” key customer service strategies and describe them on a poster where all employees can readily see them. Discuss the strategies at your next staff meeting.
Step 8.	Network – Expand your knowledge and surround yourself with knowledgeable people. Use a network of experienced advisors, mentors and business coaches to help guide your business decisions. Take a free online SBA business course today and make an appointment to talk with an SBDC, SCORE or WBC business counselor sometime during the next week.
Step 9.	Capitalize on Credit – Review your personal and business credit scores. Deal with any credit issues before they are a problem. Developing and maintaining a good credit history is important to you and your business. Good credit provides benefits regarding access to and the cost of capital.
Step 10.	Increase Marketing Efforts – Learn as much as you can about changes your customers are facing and target them with persistence and good advertising. Review multiple marketing campaigns of your competitors and other businesses. Identify “5” marketing/advertising ideas you can implement immediately.
Step 11.	Solicit New Ideas – Ask your employees, customers, mentors and others for suggestions on how you can diversify and improve your business operations.

Resources

SBA District Offices	http://www.sba.gov/localresources/index.html
SBA: Economic Recovery	http://www.sba.gov/helpingmainstreet/index.html
Small Business Development Centers (SBDC)	http://www.sba.gov/aboutsba/sbaprograms/sbdc/sbdclocator/SBDC_LOCATOR.html
SCORE	http://www.score.org/index.html
Women’s Business Centers	http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html
SBTN - Menu of Online Business Courses	http://www.sba.gov/services/training/onlinecourses/index.htm
Targeted Online Business Courses & Tools	
Free Online Course: <i>Finance Primer – Guide to SBA’s Loan Guaranty Programs</i>	http://web.sba.gov/sbtn/registration/index.cfm?CourseId=29
Free Online Course: <i>How to Prepare a Business Plan</i>	http://web.sba.gov/sbtn/registration/index.cfm?CourseId=27
Free Online Course: <i>Marketing 101: Guide to Winning Customers</i>	http://web.sba.gov/sbtn/registration/index.cfm?CourseId=30
Free Online Course: <i>Business Opportunities: Guide to Winning Federal Contracts</i>	http://web.sba.gov/sbtn/registration/index.cfm?CourseId=25
Free Online Course: <i>How to Prepare a Loan Package</i>	http://web.sba.gov/sbtn/registration/index.cfm?CourseId=28
Automated Business Plan Template	http://web.sba.gov/busplantemplate/BizPlanStart.cfm

Small Business Training Network (SBTN)

www.sba.gov/training

Entrepreneurial Development – Office of Entrepreneurship Education

U.S. Small Business Administration