

SCORE

What To Do If Your Business Is Heading For A Down Cycle

Be proactive! Don't wait until you are in hard times to react. Think about this economic possibility before it happens; in fact, you should consider including a business hardship section as part of your start up plan. It's not much different than "in case of fire..."

So, let's do as the experts suggest, be proactive. Start by developing a "hardship plan". The plan will allow you to be disciplined in your decision making, yet give you agility and flexibility. The plan by itself will not eliminate hardship, and even bankruptcy if the conditions are severe, but it will force you to focus on the actions that can have the greatest positive impact. Cash becomes king in a financially stressed condition, so look for ways to maximize cash reserves and cash flow. The plan will not only allow you to manage cash, it will build confidence and stability with your staff, clients, and creditors. Here are some critical actions for your "hardship plan".

Critical Success Actions

1. Focus on key clients—valuable, profitable, and reliable clients. If already in a stressed condition, communicate to your key clients the general state-of-affairs and tell them your plan to sustain the business and the client relationship
2. Focus on your employees
 - a. Communicate the state-of-the-market and provide a general company state-of-affairs
 - b. Focus on your most valuable employees, and if necessary, downsize the number of employees
3. Focus on most profitable services or products
4. Manage your accounts receivable
5. Take advantage of accounts payable float but avoid interest bearing delays
6. Keep interest bearing debt at a minimum
7. Use rigorous project or inventory management practices
8. Control overhead with strict discipline by closely monitoring key expenses and eliminating unnecessary items
9. Solidify your creditor relationships if already in a stressed condition by personally sharing your "hardship plan" with honesty and regularity