

Plot a Course in Turbulent Times

Written by Steve Marr
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The current economic downturn is placing tremendous pressure on all businesses and especially many small businesses. Waiting for the economy to turn around next month may make you feel better, but it is unwise. The current difficult business environment is serious, and is likely to last for some time.

Each business leader needs to assess the situation and then take action. King Solomon wrote, “*know well condition of your flocks and pay attention to your herds; for riches are not forever*” (Proverbs 27:23-24) and today we need to give increased attention to our businesses.

First, make sure your finances are in good order. Many small business owners focus most of their energy on the income and expense figures, and forget about cash in hand. Cash is a valuable commodity that must be managed along with income and expenses. One contractor doing commercial remodeling was getting squeezed because customers were not paying on time, and he still needed to pay vendors. The contractor needed to look for ways to conserve cash and press customers for payment as agreed, while also looking for ways to conserve the cash he had available.

Second, look forward and determine what working capital will be required and how you will obtain those funds. New loans are very difficult to obtain and existing sources of cash are drying up. Some businesses have used cash reserves to tide them over the current difficult time, which leaves less funds available. Another contractor was financing jobs with an \$80,000 credit card limit and the bank cut his credit limit to \$1,500. Another businessperson was using a

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\$250,000 home equity line of credit for short-term borrowing, but the bank canceled the line of credit. Today, managing cash available is as important as managing your income statement.

Third, focus on cost management in everything you do. Just plugging along may not be the best option. A furniture store was experiencing declining sales. They sold a truck used for delivery, raising some cash, and then rented a truck for making deliveries as needed. Overall the savings were 40% of delivery costs. A small manufacturing company had three employees quit, and instead of hiring three more people, they hired one full-time replacement and used a temporary staffing agency to fill in the work needs as required. Over the next year the estimated savings will be \$40,000.

Fourth, rethink everything you are doing. Ask yourself honestly what is not working. Then find out why not and figure out how you can fix or eliminate what is not working. One restaurant found that Monday's had very little business, so the decision was made to close on Monday. This saved a lot of staff costs and made a major impact on the bottom line.

Fifth, and finally, during difficult times you need to be on the lookout for growth opportunities. McDonald's has advertised the dollar meals and offers less expensive coffees than Starbucks, and McDonald's is one of the few restaurant chains posting actual sales growth. In Phoenix a homebuilder has targeted major home repairs and remodeling work in Sun City, where many of the homes have aged and many of the residents still have money to spend, thus creating an excellent business right in the middle of a very difficult time for construction.

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Many business leaders are feeling immense pressure from customers, the economy, and competitors. As we battle every day, we need to grasp a tremendous truth from Scripture: “*Thy commandments make me wiser than my enemies*” (Psalm 119:98).

As we spend time reading Scripture and in prayer every day, we will gain insight from the Lord. When we are obedient to God’s Word, God’s insight will propel us to success in a very difficult market.

Steve Marr, Your Christian Business Coach