

1. Finance and systems

Without cash you simply have no business. Recessionary times call for greater measures to protect cashflow and ensure a temporary lull does not put paid to your ambitions. Here are a few tips on how you can keep your business out of the red.

Things to do today...

- Check your cash position
- Negotiate payment terms with buyers and suppliers
- Order your monthly management accounts

Short term actions

Check your cash position

To make sure your cash is flowing, you must check the following:

- Use of your overdraft
- Creditor/debtor days outstanding
- Margins - ensure they are benefiting your business
- Variable costs
- Financial trends in your business over the last 6 months – are there any noticeable changes?

Find funding for your business

Some small businesses are currently finding it difficult to get bank loans. When credit is tight, banks focus lending on larger enterprises they consider more credit worthy. However, central Government, the South East England Development Agency and other bodies have introduced various financial measures to help small businesses. To find out about funding opportunities visit

www.businesslink.gov.uk/southeast/support

Get a grip on credit control

Don't let other businesses put your cashflow in jeopardy. Watch out for unusual buying patterns from existing customers as this may mean they have problems getting supplies elsewhere. Reduce your customer payment days and take measures to prevent the late payment of invoices by carrying out credit checks on customers, agreeing terms early and stating your intention to charge customer interest and compensation for debt recovery costs.

Debt factoring involves selling your invoices to a third party and could also help credit control. Find out more on our debt recovery pages at www.businesslink.gov.uk/southeast/support

If things go wrong, you need a dedicated and well-documented approach to credit control to prevent late payments becoming detrimental to your business. Make sure you have multiple suppliers to fall back on should your main supplier no longer be able to fulfil orders.

Organise a cash buffer

This will protect your business in the event of a downturn in trade or your debtor days being greatly extended. It will be far easier to arrange funding while your trading numbers are good rather than in decline.

Look after your overdraft

Banks will look to cut overdrafts where they can, particularly if there has been low usage of this facility. If you can prepare yourself for the annual review with a profit budget and cashflow forecast showing the need for the existing limit, it will be far more difficult for the bank to reduce it. Keep in regular contact with your bank to give them confidence in your business management.



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Submit expense claims promptly

Put expense claims through your accounts as soon as possible. Claims that can be offset against tax will reduce your liability sooner and save you money. As well as cash book expenses, consider provisions where there is a present obligation in respect of a past event, even though there has been no cashflow yet.

Longer term cost-saving ideas

A strategic review of your business will highlight areas where you can tighten your belt, but some quick cost-cutting ideas include:

Computers and technology

Are you making the most of your IT systems? Facilities such as online conferencing software could cut down travel time and costs. Have you got a Customer Relationship Management System? Do you have accounting software? Both of these will make account management much easier.

Visit www.businesslink.gov.uk/southeast/support for more IT ideas.

Staff

Cross-train staff so others can pick up jobs when a key person is off sick. This will also prevent any future staff wastage or quality dip in case of redundancy.

Don't give in to wage inflation demands. Consider paying bonuses or commissions on overall business results not micro-targets.

Reward employees' suggestions for cost cutting and appoint an energy champion in charge of limiting waste.

Marketing

Can you switch any communications from print to online? You could consider replacing some expensive print items with economical in-house printing if it does not compromise your brand image, professionalism or quality.

Purchasing

Make sure you get the right suppliers for your business. Look at your existing suppliers and check alternatives as you may find better deals elsewhere. Get new suppliers

to quote for the same work so you have a comparison.

Use directories and the trade press or contact Business Link for a free search on our Supplier Matching Service. Find out how long suppliers have been established, if they're on approved supplier lists from trade associations or the Government, and use recommendations to make your choices. Ask potential suppliers to provide a firm quote in writing for the first three months. For more information, see Business Link's online guide to the supplier selection process at www.businesslink.gov.uk/southeast/support

Transportation

- Is it more economical to use outside contractors?
- Use route planners or satellite navigation to reduce journey times.
- If you run a fleet of more than 50 cars or trucks, you can get a free 'green' review from the Energy Saving Trust, who have a very

experienced team of transport advisers. Visit www.energysavingtrust.org.uk to find out more.

- Think about investing in driver training. Truck or van drivers trained to minimise fuel use can cut usage by 18%. You will also see lower replacement costs for tyres and other wear and tear. (See also Operations and Productivity for tips on reducing travel costs)

Have you checked?

- Invoices against your purchase orders to ensure you get everything you asked for at the price you were quoted?
- Insurance which covers you for any equipment and vehicles you no longer have?
- If you're getting the best deal on credit card payment processing?
- If you can pass small cost increases onto your customers?