



A Business Survival Guide in Recessionary Times ...for Small to Medium Enterprises

6S for Success



Foreword

- The next twelve months will be perhaps the most challenging you have faced as a business owner or manager. The recessionary conditions are likely to be new to you, and your business may come under unique pressures to a degree that you have not experienced before.
- All businesses are unique entities. However there are a handful of common aspects that, if managed tightly and decisively, will between them minimise the impact of an economic downturn.
- ***The aim of this Survival Guide is to provide you with an easy-to-read short and sharp list of the areas that for you will now be “business critical”. It is unashamedly intended to jolt you and stimulate you to address six essential aspects of your enterprise.***
- These six aspects between them give a “back to basics” focus. They are and always have been fundamental elements. During periods of economic growth we have been able to run our businesses successfully with less attention to tight controls and the disciplines around them.
This is no longer the case.
- You are now challenged with addressing these six areas with renewed vigour. And if as Northlanders we can harness our collective energies to assist each other, then when the inevitable upturn comes we will be sure to emerge in a much stronger competitive position for the benefit of all.

Enterprise Northland
December 2008

6S for Success

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Singular Focus

- There is “above all else” one fundamental overriding necessity during recessionary times:

- **“Manage Your Cash!”**

- During these times “cash is king”. You MUST know ‘where and when’ your cash is coming from and going to.
- If you are not already forecasting your *cash in* and *cash out* and looking at basic *cashflow reports* on a structured and regular basis (eg weekly) – **start now !**
- And if you don’t know how to set up or read these reports – seek help today (starting with your accountant).
- In turn, your cash position is directly influenced by the degree to which you are leading and controlling six core aspects of your business:

Your Sales

Your Sundry Debtors

Your Spending

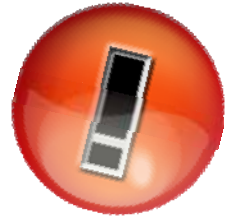
Your Stock

Your Staff

Your Supporters

- By managing these six aspects well, your prospects of surviving and thriving are hugely enhanced :

= “6S for Success”



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S1 = Sales

Situation

A fall-off in sales is one of the first signs of impending insolvency. During recessionary times to take for granted ongoing sales revenues, is to directly and significantly risk your ability to manage your cash.

Solutions / Must Dos

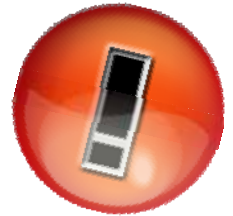
- Above all else, **look after your customers !** Starting today, devote time and energy to systematically remove the barriers to ensuring your customers consistently get what they want (*quality*) and get it without delay (*quickly*).

In particular know who your “must have” customers are (typically 80% of your revenue will be from less than 20% of your customers). Communicate, understand their needs, and stay on their radar.

No Customer = No Business.

Conversely, a happy customer is your best salesperson.

- If you do not have a basic **sales forecast** that projects your income for the next twelve month period and shows clearly where it is coming from – then *create one now*.
If you already have a sales forecast in place – then *revisit it* in light of how your key customers are likely to be impacted by the recessionary climate.
- Form the habit of *measuring and comparing* your actual income to your forecasted income. As a minimum do this as close as possible to month-end, and when you see negative variances make sure you understand the causes. Be decisive about corrective actions and implement them quickly.
- Become fully aware of the minimum sales you must make to cover all of your monthly costs. This is your **break even point** which provides you with a no-nonsense lower limit for monthly revenues.



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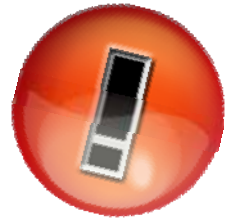
S2 = Sundry Debtors

Situation

There is little point in making a sale and then failing to collect the cash. During recessionary times it is absolutely 'business critical' to tightly manage and control your debtors.

Solutions / Must Dos

- Make sure you know accurately (and in real time) who owes you cash, how much they owe, and when it is due. If you are not yet in the habit of generating and monitoring a basic **aged debtors report**, then get whatever help you need and begin today.
- **Chase all overdues with vigour.** Your debtors will be facing challenging times too, and polite but firm reminders are necessary to ensure they put you at the top end of their creditor obligations. Be prepared as the business owner or manager to be directly involved in the more sensitive and difficult cases.
- **Carefully consider before offering credit** to new customers. This is NOT the time to act as a bank. With existing customers, be prepared to restrict and/or cancel credit for slow payers, and do not be shy about "cash only" terms. Credit is not a right but a privilege.
- **Invoice speedily.** Make sure you and/or your admin staff are consistently on top of preparing and sending invoices without delay. Time lags between you purchasing your goods and your receivables must be minimised in order to protect your cashflow.



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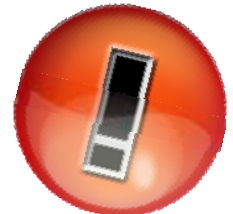
S3 = Spending

Situation

It is the right time to be hard nosed about all non-essential spending. Recessionary periods are not when you can risk “nice to haves”, and unless your spending has a positive influence on your cashflow and profitability – DON’T!

Solutions / Must Dos

- Become intimately familiar with your **gross profit percentages** for your goods and services, in order to fully understand which are your profitable (or more importantly your non-profitable) lines.
- Equally importantly, be sure to gain a detailed line by line handle on your ongoing **overheads and expenses**. If you do not have these costs itemised in a *budget* for the twelve months ahead, then put a budget in place now !
- As near as possible to month end, **closely examine each of your actual costs** as compared to your budget, and then take quick and decisive corrective action throughout the year to address and peg-back overspending wherever it is occurring
- Take particular note of those items where you spend the most each month (e.g. the “top 10”) and look for new ways to reduce these (Take the “lowest hanging fruit” approach, while acknowledging that a small percentage saving on a big spend will gain you more than a large percentage saving on a small spend).
- Take a fresh look at your business operations with a view to identifying areas of obvious **waste and inefficiency**, and attack them. Success in recessionary times demands the optimisation of time, materials, and resources.
- Note: one cost you should NOT cut without very good and valid justification is your spend on advertising and marketing. Retaining your market share is critical during an economic downturn.



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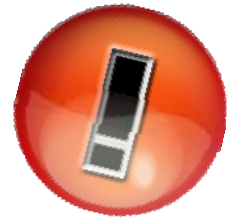
S4 = Stock

Situation

There are always opportunities to release significant cash by tightly managing your inventory levels and/or by divesting non-essential assets.

Solutions / Must Dos

- This is the time to demand clear and accurate **stocktaking and inventory reporting**. If your systems do not yet provide you with details of the items you have in stock, the value of these items, stockturns, and how long the items have been on your shelves – then get a basic system established with urgency!
- Armed with this information, take deliberate steps to reduce all overstocks. Simply **stop buying** materials or goods you already have and put a hold on reordering until you are convinced you are down to minimum stocking levels.
At the same time turn stock into cash by **discounting to sell** goods that have not moved and do not build up your customer required goods and services beyond short term demand.
- Sit down with your top 5 -10 suppliers and talk openly about initiatives to improve **just-in-time** supply. Some suppliers will have capacity to offer **consignment stock** and/or **extended terms** such that your cash is in your hands until the goods are used. (Note they will usually willingly find ways to support you if you have a proven track record of paying in full and on time)
- Look at every opportunity to reduce the pricing on your top spends – for example via **exclusive supply agreements** with your key suppliers and or **joint purchasing initiatives** with other local buyers of high value materials.
- Take a good close look at all of your assets (e.g. machinery, office equipment, vehicles, land and buildings) and make the hard calls to **divest non-essential and non strategic assets** and turn them into cash.



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S5 = Staff

Situation

When trading conditions are adverse it becomes absolutely critical to ensure you have the right people in the right places doing the right things. Your survival depends on it.

Solutions / Must Dos

- This is NOT the time to lose your **best people** – those that you trust and are carrying out key functions or core activities for your business. Take deliberate steps to identify and look after these essential team members, which includes genuinely listening and active support (don't forget they and their families are also living through tougher times).
- By the same token, now is the time to be hard nosed and pragmatic about **letting non essential staff go**. You are not a charity and you simply can not afford to retain people that are in non-core or non-productive positions. Make the tough decisions early – before you run out of cash to cover the wages and salaries.
- Re-examine your **basic HR systems** and processes, and avoid neglecting the time and effort to carry them out properly:
 - Your recruitment and induction processes
 - Your staff agreements and contracts
 - Your basic safety and training systems
 - Your staff review and feedback processes
- **Communicate, communicate, communicate!!** More than ever you need to be seen (MBWA or 'management by walking around') and there must be structured sessions for keeping your staff openly advised of what is going on and how the business is performing : if you do not yet hold monthly (minimum) team briefs – **start now**
- Make additional efforts to '**engage and involve**' your staff - between them they will be able to solve most of your problems – and they are best placed to directly impact on your productivity, your efficiencies, your service and therefore your costs and your revenues.



[Click here for more help](#)

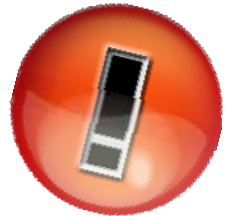
S6 = Supporters

Situation

Your chances of surviving through recessionary times are multiplied hugely if you are open to seeking support from outside of your business. This is not the time to isolate yourself or to be 'heroically independent'.

Solutions / Must Dos

- Get closer to your **accountant** with a view to ensuring you are getting the right information and advice - and in the right format to make sound and timely business decisions. This relationship is critical. If it is not working or you are not able to get the support and service you require, change accountants.
- Sit down formally with your **bank and bank advisors**. They will be in a position to assist to a far greater extent if they have a structured relationship with you and are privy to the details of your monthly financial indicators. NB – “communicate bad news openly and early” as banks are typically averse to secrets or surprises, but generally supportive to honest disclosure. Explore opportunities for restructuring your debt as necessary to give you the best possible cash advantage.
- Tap into your **local business support organisations**. They are there to be mined for assistance. Examples include:
 - Enterprise Northland www.enterprisenorthland.co.nz
 - Northland Chamber of Commerce www.northchamber.co.nz
 - Biz North www.biznorth.co.nz
 - Northland Business Development Trust
 - NorthTec Small Business Support Team
 - Regional government agencies (e.g. MSD, WINZ, TPK, IRD)
 - Business Advice Specialists (Chartered Accountants / Advisors)
- Become aware of the many key **websites** that can be accessed for quick and effective advice on a very wide range of business issues. To start try:
 - www.business.govt.nz
 - www.nzte.govt.nz
 - www.sustainable.org.nz



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Summary

- The “**6S for Success**” approach is a simple reminder of the basic business processes and practices that are essential to survive difficult recessionary times.
- Each is significantly important, to the extent that if the ball is seriously dropped in any one of these six areas, then your business will be at risk. Managing five out of six well, will not likely be enough.
- However, with a determined focus on these 6 fundamentals, not only are you likely to survive – you will actually be positioning yourself to thrive.
- It is not uncommon for businesses to emerge from economic downturns in a stronger more sustainable position than at the beginning. In this sense the current recessionary conditions can be looked upon as a golden opportunity to stimulate the establishment of robust and lasting frameworks for success.
- In turn this outcome is dependent on your acceptance of the need to change and adapt your behaviour and beliefs to deal to the changing environment in which your business operates.

“Change is debilitating when it is done TO us, but it is exhilarating when done BY us”.

- And above all, this guide has the intent of stimulating you to ACT. Visualise yourself and your business in two years time. What do you want it to look like? Now start today with that end in mind.

As your first act, you are encouraged to sit down and commit to paper a sincere twelve month Business Plan that simply and clearly outlines your intentions (i.e. what, who, how and when) in the six key areas of your Sales, your Sundry debtors, your Spending, your Stock, your Staff and your Supporters.