

## Grow your business in a slowing economy

Despite a slowing economy, many business owners see opportunities for their own companies. This isn't just blind optimism – simply the fact is that many have been there and survived a recession before.

Small businesses can actually grow by taking advantage of opportunities, such as weakened competition and big company cutbacks.

What does that mean for your business? Here are ways to grow even when the economy stagnates:

**Keep marketing.** Businesses that maintain their marketing efforts during slow times come out of recessions healthier and with a larger market share than before the economy went downhill. Stay visible.

**Hire terrific talent.** A lot of great people are going to be getting pink slips or taking early retirement as large corporations cut back. You'll be able to attract employees with a wealth of experience – and terrific contacts – who might never have considered working for a small company before.

**Target big corporations' small customers.** In bad times, large companies cut back their services to smaller customers. But their "small" customer could be your huge customer. Go after them now.

**Become the outsource source.** Big companies are under pressure to reduce fixed costs, so if you provide services usually handled by corporate in-house staff, now's a good time to suggest they use you as an outsource provider.

**Get your finances in order.** Clean up your credit as well as your financial records. Establish a credit line at your bank. Have money available to you if you need it.

**Consider acquisition.** Are there businesses you can buy? Your competitors may want to throw in the towel, especially established small businesses with owners nearing retirement. You may be able to buy some businesses at a big discount in this environment.

**Develop a loyalty program.** It's critical to keep the customers you have. Set up a method to provide discounts or rewards to loyal customers. Even a simple punch card program can work.

**Sell from your website.** Increase profit margins by selling direct to customers and cut out the middle man whenever possible.

**Concentrate on increased sales rather than new product development.** Look for new channels and new customers, rather than investing heavily in development.

Finally, **stay positive.** And remember, recessions are cyclical. Take advantage of opportunities now, and your business will be in a great position when the economy improves.



# Spring clean your finances

Few things in business are more stressful than not being able to pay your bills. Even a profitable business can be in financial trouble due to poor money management.

On the other hand, it is possible not to make a profit — especially if yours is a growing business — and still have good credit, excellent relations with vendors and meet your financial obligations, at least in the short run.

Spring is an excellent time to overhaul your financial systems. A few simple steps and you'll be on your way to an excellent credit rating, a great relationship with your bank, and a good night's sleep:

**Pay bills on time every month.** That does not necessarily mean paying bills in full every month. This might not be realistic. But every month, ensure every creditor gets paid at least the minimum amount — on time. To make sure this happens, set up systems such as automatic bill payments, particularly for key accounts.

**Send out your invoices on time every month.** The last thing on many entrepreneurs "To Do" list is to send out bills to clients or customers. But when you bill clients late, it encourages them to pay you late. Improve your cash flow by sending out your invoices immediately when someone incurs a debt, and certainly no less frequently than monthly.

**Get in contact with your bank manager to lunch.** It is critical to have a good relationship with a business banker who can learn about your industry and business and understand your ups and downs.

**Get a credit report.** Your credit history is crucial. Most small businesses — and all new businesses — get credit based on the owner's credit-worthiness. Lenders check credit scores whether you're applying for a line of credit, loan, credit card, mortgage, equipment loan, even a lease. At least once a year, check your credit reports so you can clear up any inaccuracies and keep your credit clean.

**Go after overdue accounts, especially big ones.** If you've provided goods or services, you deserve to be paid. You can't afford to be in the lending business. Every month, spend time collecting any overdue bills.

**Limit the amount of credit you give to large corporations.** Recent news reports shows a rash of big business bankruptcies. Never allow yourself to be in a position where a big corporation's debt to you can put you out of business.

**Get a simple accounting software program.** A computerised bookkeeping program may seem like a bit more work when you're entering data in, but when you want to get information out (like at tax time), it's a must.

A few simple steps now to get your money management systems in order can make next financial year a lot more pleasant.

## An outsider's view

When looking at your business from a financial perspective, it is often a good idea to sit down and meet with an accountant or business advisor. Accountants are able help you understand finances and projections as well as answer tax questions.

Here are some questions or suggestions for discussion points that may form the basis of a preliminary review of your business when you meet with your accountant:

- What kinds of taxes will I have to pay? What are my **tax deadlines**?
- How can I **reduce my taxes**? Which expenses are deductible, non-deductible or have to be depreciated?
- What kind of **bookkeeping system** should I set up? How can I set up systems to reduce the possibility of theft or embezzlement?
- What kind of **retirement programs** can I set up, and how much can I contribute each year? What kind of retirement programs for my employees?
- What are the pros and cons of different kinds of **corporate structure** for my type of business?
- How should I pay myself salary (or draw) and what are the **tax implications**?
- Should I use the **cash or accrual** form of bookkeeping?
- What other **accounting** and tax considerations are there for my type of business?



# Rewarding talented employees

Employees are people, too. While that may appear obvious, some employers seem to treat their employees as disposable objects — easy to get, easy to discard, easy to replace.

Well, employees aren't disposable. Sure, sometimes you have to let someone go who isn't working out, and other times you're going to have to lay someone off when the business no longer can sustain him or her. But if you have a lot of employee turnover, you're wasting valuable time and resources.

Your business is only as good as your people, particularly for small businesses. No matter how good your product or service, it's the people in your company who determine whether customers are satisfied and orders are fulfilled.

That's why it's critical to nurture and reward your employees. But that can be expensive. You may not be able to give raises as quickly as you or your employees would like or deserve. Here are some ideas for rewarding employees that won't break the bank.

**Well days.** It's not uncommon for employees to call in sick when they have some personal plans. Save the guilt and establish "well days." If something important is going on in a team member's life, such as an anniversary or their child getting an award, allow them to call in "well."

**Employee of the week.** We've got a very small staff, so when I named someone "employee of the week" many years ago, it seemed almost humorous. But my employee was really proud of the honour, so the idea caught on. We don't do this every week — not even every month — but once in a while an employee will do something special, and I'll name them (or another employee will nominate them) as "Employee of the Week." They get a candy bar, a round of applause, and an e-mail, and I send copies of the e-mail to their family members. You'd



be surprised at how even this little recognition can make someone feel special.

**Extra time off.** If your business can't afford wage increases look at extra time off.

**Food.** It's amazing how much employees like free food. Many of the large high tech companies have a free food policy and make snacks and meals part of employee benefits — generally to encourage them to stay on task. Smaller business may not have the budget for such benefits, but they can go part way. You don't have to provide free food regularly, but when anything special happens (and for birthdays, too!) an easy, inexpensive way to celebrate is to bring in food or take the staff to lunch. It is a great way to boost morale.

**Flexibility.** One of the most valued perks for an employee is some amount of flexibility in their work schedule, whether it's regularly starting work a half hour later to get a child to school, or occasionally leaving a little early to take care of another need. That kind of understanding builds employee loyalty.

**Saying thank you.** The least expensive thing you can do is to remember to thank your employees. Everyone wants to be recognised and appreciated.

## What kind of boss will you be?

Being a boss is tough but it's one of the most demanding challenges of running a company. You have to inspire, lead, motivate, discipline, and reward. Some of the most important leadership skills are:

- **Communicating goals:** Let people know why they're doing something, not just how to do it. Employees are far more motivated when they understand the purpose of a task.
- **Setting standards:** You're responsible for establishing — and demonstrating — the standards you expect others to maintain.

- **Being fair:** Make sure your standards are reasonable and fair and that goals are actually reachable.

- **Listening:** Learn to talk with — not just to — your employees. Enlist their suggestions, and set goals together.

- **Making decisions:** The buck has to stop somewhere. Employees look to their leaders to make choices and stick with them.

So what kind of boss will you be? Will you have the skills to lead your company rather than micro-manage your employees? Can you create an environment that encourages employees to do their best? Be honest when you're evaluating your own abilities as a leader.

# Embrace complaining customers

When confronted by a customer with a complaint, all you really want to do is make them go away, isn't it? After all, who wants someone in your face, telling you that you've messed up?

Here's something to remember – most unhappy customers don't complain; they just go away. Sure, only one of the 100 guests at your hotel complained that the rooms were dirty. But that doesn't mean the other 99 were satisfied. Many of those other 99 guests may have felt the same way, but they didn't want to take the time or energy to confront you. Instead of letting you know, they're just not going to come back and they may even warn other customers away.

Ask yourself (and your staff): when a customer has a complaint, do you truly listen to them and try to solve their problem? ("I'll get my best cleaner to tidy your room again, check it myself, and make sure that housekeeping is doing its job.") Or do you just want to find the way to make them disappear? ("Have a free drink in the bar.") There's a big difference in attitude and outcome between just appeasing a customer and really caring about their problem.

It's easy to dismiss complainers. After all, sooner or later, every business will have some customers who are just impossible to please. No matter what you do, they're never going to be happy. Often, these customers have misunderstood the nature of your products or services and want you to change completely to accommodate them. That's not realistic.

In fact, unhappy customers can be turned into life-long loyal customers if you recognise their complaints for what they really are: a chance to improve your business. How can you do this?

- **Listen.** Train yourself and your staff to not get defensive (the natural reaction) when someone complains, but to start actively listening - ask questions. You can't solve a problem unless you take the time to understand it.

- **Apologise.** Your customer has had a bad experience. You are - or better be - sorry, even if you don't think you're entirely to blame. Some of the most powerful words in a businessperson's language are "I'm sorry."

- **Learn:** One complaining customer likely represents the feelings of dozens of customers who don't complain. Explore whether this one complaint is emblematic of bigger problems.

- **Respond:** Genuinely try to address the issues a complaining customer raises. First, do what you can to solve the specific individual's situation. Next, look at whether you need to make changes to how you run your company or make your product to reduce the likelihood of other unhappy customers.

- **Empower:** You're not always going to be the person an unhappy person turns to. Give front-line sales and service people the authority to solve problems. Don't make customers jump through hoops to get satisfaction. Empower employees to solve problems themselves.



## OUR SERVICES

### Are you driving your business or is it driving you?

Are you at a point where so much time and energy is taken up dealing with the day-to-day running of your business that you have little or no time to think ahead?

If you are, you are no different from the many other successful business owners we have helped. Waterford Accountants has developed a sophisticated strategic planning service specially designed for businesses just like yours.

If you want to get your business back on track and lay the foundation for sustained growth and improvement, call us today on (02) 4956 1033 to arrange a FREE strategic planning review.



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