

# 10 Critical Steps Companies Should Take Now

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As companies struggle to reduce costs, find new sources of revenue and operate more efficiently they sometimes forget the basics. Here are 10 things every business owner should consider as part of his or her downturn recovery plan.

1. **Stay on top of your cash situation—** Take time to prepare cash flow projections for the next 12 months and revise weekly if needed.
2. **Know your key drivers and manage them—**Keep a careful eye on areas that affect cash flow: accounts receivable collections and inventory turnover. How are you doing compared to past performance and your peers? Watch key areas that affect profits, net and gross margins, labor and fixed asset utilization.
3. **Monitor Accounts Receivables closely—**Process invoices immediately, distribute an outstanding accounts receivable statement weekly and take action on late accounts immediately. Start with a polite but firm personal call and don't get off the phone without a commitment to a payment date. A few days improvement in collections will make a huge difference in cash flow.
4. **Insist on good financial data—** Accurate, timely financial statements are critical in tight economic times. Don't accept excuses. Your banker will love you for it.
5. **Get funding now! —**The worst time to get financing is when you are about to run out of cash. Arrange for loans and lines of credit. Your cash flow projections from tip one will help you figure out how to pay it back.
6. **Review your long term financing—**Are you financing long-term growth (or assets) with short-term funding such as a credit line? If so, see your banker about getting it changed. With record low interest rates, everyone should look at refinancing now.
7. **Have good advisors and use them—** Make sure you have a solid team of outside advisors, meet with them regularly and listen to what they say.
8. **Don't turn financial decisions over to others—**There's no need to turn yourself into a CPA, but you must be able to read financial statements, talk with financial people and assess your company's performance.
9. **Understand and use break-even analysis—**Do you know your contribution margin? If not, you won't know how much more you need in sales when costs rise or prices fall. At the same time you'll know how much to cut when sales fall and analyze the need for expansion or capital decision.
10. **Stay close to your clients—**This will generate good will for you, give you a chance to spot new opportunities and provide an early warning in the event their industry isn't doing well.

## Remember...

Ships are safest in harbors but that's not what they're made for. Don't let fear of the future paralyze you now. Get moving and do something!

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