

Recession proof your business

In the ideal world it's best to be prepared for difficult times well in advance, however given the speed of the current economic downturn many businesses are being forced to be reactive rather than pro-active.

A quick look on the web, or in a business text book will identify any number of perfectly sensible suggestions for "recession-proofing" your business such as:-

- 1) Always have a contingency plan – things do go wrong
- 2) Cash is king – manage your cash flow as simply and effectively as possible.
- 3) Develop the best possible relationship you can with the bank - keep them abreast of your current situation.
- 4) Take a new approach to tax – question what can be done to improve tax cash flow and ease payments
- 5) Price properly - don't over-react to market conditions, understand whether demand is price-sensitive and don't give profits away

All sensible and pragmatic points, but what most business-people want are simple actions they can actually put quickly into place and that will make them feel like they are actually doing something, rather than just talking theoretically.

As a business in the service sector, we are also sharing in the discomfort of the effects of the downturn, but there are three areas of our business which we have identified as having potential for quick wins. As a result we've made changes in the way we do business and would recommend you consider doing the same.

Tighten up your terms and conditions

The terms and conditions on which you do business with your clients and suppliers have never been so important. For example:-

- Have they been properly incorporated – are you sure you are dealing on your terms not your client's/suppliers?
- What happens if you deliver products to a customer who closes down before paying you?
- What terms do you have in place to limit your liability if there are problems
- On what grounds can the contract be terminated?
- What are your payment and default terms?

If you don't know the answers, or feel there might be some "holes" in your defences, then you urgently need to review your terms and conditions. It needn't be expensive or time consuming, it will give you peace-of-mind and can pay huge dividends.

Manage your Debt Collection

All businesses know "cash is king", but how good are you at getting what you're owed?

There are many different ways to "skin a cat" ranging from going through the courts to negotiation and mediation, or sometimes a combination of a number of complimentary approaches.

What is key is putting into place and following a policy for dealing with debt.

- What is your debt collection process? - When does a debt become bad and how do you escalate the process?
- How much time, energy and money is it appropriate to use to chase a bad debt?
- What is the most appropriate method to use and are debts worth chasing?
- What do you do to vet your customers before you take them on? Prevention is better than cure.

If you don't have a plan, your approach doesn't seem to be working, or perhaps you've got some particularly difficult nuts to crack, then don't sit there and worry and most importantly don't ignore it.

We have developed extensive experience collecting debts both for ourselves and our clients. It may well be that the prevention of future problems, or the solution to your current issues, need not be as difficult, or as costly as you fear.

Your People

Your people are your biggest asset, but also during times of downturn unfortunately also often your biggest area of cost. Given the general uncertainty over job security, it pays to be well prepared and there are a few simple steps you should put in place:-

- Have you complied with legislation in respects of contracts for your employees?
- Do you know their key terms of employment?
- Have you reviewed your teams and recognised who are the essential members?
- Have you considered short term re-negotiation of staff contracts or re-training to help control costs whilst times are hard?
- If you have to deal with redundancy, do you understand the process?

None of the above need be difficult, you just need to know where you stand in relation to your staff and to be sure that the process you are following is correct.

To conclude

We wouldn't pretend to be experts in weathering the current storm, but we know what we do well and have felt the benefit of the relatively simple and cost effective changes we have put in place.

If you would like to talk about how we could do the same for you, then we would love to hear from you. Given that we're all being forced to be reactive, our philosophy is better late than never!

Contact the Business and Commercial team on 01483 302000 or email guildford@howell-jones.com

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