



How to Survive the Financial Crisis

By Michael D. Duty

Unless you've been living under a rock, you're aware that the financial world is in turmoil not seen since perhaps the Great Depression. If you're a small business owner, you're no doubt painfully aware of the ramifications of the Wall Street fiasco. And as such, you're probably wondering what you can do about it. The current business environment is akin to economic Darwinism where survival of the fittest is the mantra. So, how can you be sure that when the market comes back up, you're at the top of the financial food chain and not buried with a heap of fossils? Experts from SCORE, the SBA, and a host of financial institutions have been dispensing advice. Here's some of the best (and most oft repeated).

Manage Your Money

That sounds like a no-brainer right? Well, in managing your money, there are several items to consider—some of which may not be quite so obvious. First, look at where you're spending money. Is it the most effective use of your dollar? Can you streamline your processes for less waste and greater efficiency? Also, does your business adapt well to change? Adaptation is the key to survival and your organization needs to be able to adjust how it approaches everything from production costs to marketing in these times. Finally, whatever money you save now should be put into a "doomsday account" so you're not scrambling for cash when the real hard times hit. Most organizations recommend you set aside about five percent of your income per month.

Look at your relationships with both creditors and debtors

As a small business, the bank isn't your only source of credit. And credit doesn't just flow one way for you. Not only do you have creditors. You have people who owe you money at the end of the month. You have credit lines with vendors who are, no doubt, facing the same problems that you are. Make no mistake, creditors want their money, but they don't want to lose a good customer either. Now is the time to sit down with your creditors and discuss your business future. Remember that creditors are people too. And people are likely to work with you, especially if you're a good customer.

Also, you need to look at your debtors. If anyone consistently carries bad debt, things aren't likely to get better any time soon. On the other hand, you don't want to lose a good customer either. Ultimately you will have to decide what's best for your business. If your product ends up in consumables or commodities that consumers are always going to need, your situation will probably be steadier than if you supply parts for big ticket items that consumers need credit to buy, like automobiles or furniture.

Look Everywhere

Don't forget to look at the possibility of doing business in new markets that you may not have considered before. Can your process be adapted to make certain specialty goods that are outside of your regular market? If you should lose a customer, don't get caught having to scramble for a new source of income, be vigilant in looking for new potential customers now. Part of this effort means using social networking sites like *facebook* or *twitter*. If you don't have one already, a blog is a good tool for marketing and networking. Also, if you've worked to cut costs elsewhere in your business, marketing is good place to spend a little more.

Conclusion

So, start adapting to the market now. Save money where you can, and spend it wisely. Also, a key to future success is going to be nurturing the (business) relationships you have now and being on the lookout for new ones. Putting these principles into practice will ensure you end up as a guest at the financial dinner table instead of as an entrée—or worse yet as a fossil in the museum of business history. For more on how to strengthen your business, you can contact SCORE, the SBA, or your financial institution.