

ENTREPRENEURS SHOULD START TO DEVELOP A POST RECESSION PLAN

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The US economy is now showing some signs of recovery and a rule of thumb is that the Bahamian economy will show a positive sign of economic recovery six (6) months after the US economy makes a full recovery. This means that by April 2010, the Bahamas will be in a far better position than it is now and the unemployment rate should decrease from 18% today to 9% by September 2010.

Small and Medium sized Enterprises (SMEs) that are still open are “battle tested” and therefore, should be able to stay in business until next year April 2010. Entrepreneurs should realize that the current recession is only a “temporary setback and not a permanent roadblock”. SME owners should be proactive and start to develop a post- recession plan so that they will be leaders of their industries by April 2010. The plan should focus on the business model of SMEs in the following manner:

GENERAL MANAGEMENT

*Planning: Conduct a research to determine what negative /positive macro –environmental (political, economic, technological and social-cultural) and micro-environmental (customers, suppliers, competitors, labour market and industry costs) affect this recession had on various departments. Afterwards, set specific measurable, attainable, rewarding and time oriented goals to solve potential problems and to take advantage of market opportunities.

*Organizing: After planning, make sure to identify, prepare and allocate resources (employees, money etc) that will be needed to solve problems or to take advantage of market opportunities in April 2010.

*Communicating: Carefully explain (to all existing employees) strategies that will be implemented to survive after the recession. Remember, it is not what you say –but how you say it!

*Execution and Monitoring: Design action plans for all departments. You should align resources that are required and effectively deploy them in a timely manner. Create control plans (budgets, schedules etc) so that you can determine what corrective measures must be taken in the event that activities do not go as planned. Remember, you cannot manage what you cannot measure!

MARKETING

Start designing a Marketing Plan for the next three (3) years that addresses the following topics:

*Segmenting & Targeting: Always focus your attention on satisfying loyal customers and prospecting customers that are willing and able to pay for your products and services.

*Positioning: Make sure new customers clearly understand the value and benefits of your products/services because you might not get a second chance to convince them.

*Pricing: Give discounts on old /dead stock. Price your product competitively.

*Promotions: Use a variety of promotional activities (newspapers, radio, brochures, coupons, web sites etc.) and develop measuring tools to determine which ones are the most effective. Customers should be surveyed to determine the impact of each promotional activity and only continue the ones that are effective.

*Distribution and customer service: Make certain that it is convenient/easy for your customers to buy your products/services and do your best to attract, maintain and retain loyal customers in 2010.

HUMAN RESOURCES

*Retaining Staff: Do your best to keep loyal employees. It is highly recommended not to hire new employees in management positions in 2010 if existing employees can perform the task. If this is done, you run the risk of causing a decrease in morale amongst employees who were committed to your business during the current recession.

*Hiring: If you must hire new staff in 2010, make sure that they can perform multiple tasks and are team players. It will be great if you can hire two (2) employees that could perform four (4) employees' jobs. However, you must be fair when setting their pay scale and reward them for excellent performances.

*Training: It is a good time now to start cross training employees because you might have to use them to train new staff (in a cost effective manner) when the recession is over in 2010.

OPERATIONS

*Inventory: You must diligently manage your inventory. Only purchase what you need and only try to buy fast moving stock in bulk if you will receive good discounts. When receiving stock, triple check for "short shipped and damaged items". Inventory should be properly stored in order to reduce "damage and out-dated products". Inventory control is very important, stock taking should be conducted regularly in order to deter employees from mismanaging your products. Out going stock should be carefully checked with sales invoices.

*Utilities: Decrease electricity expenses by installing energy-saving light bulbs. Also, when leaving a room (even for a short period of time) turn the lights off. In addition, clean your air-conditioning filters regularly. Decrease your water bill by inspecting your water system for leaks and always properly turn off faucets.

*Telephone: Consider purchasing legal and affordable telephone packages if you make a lot of international and Family Island telephone calls.

*Risk Management: Ensure that you have adequate business and personal insurances and that your business has quality security and monitoring systems (Security Guards, CCTV & GPS for vehicles). Ensure that strategic contracts are legally binding (in the event that you have to sue a third party). These are all important because after the recession, you do not want to experience losses that could have been prevented.

ACCOUNTING

*Accounts Receivable: Significantly limit the amount of new charge customers. Streamline existing charge accounts. Encourage current charge customers to pay early by offering discounts (if possible). Enforce penalties to customers who deliberately make late payments on account.

*Accounts Payable: If you do not properly manage your accounts payable you will get in trouble with your creditors. Negotiate to receive extra discounts if you pay your account in full early. Alternatively, arrange to extend your payment on account time period (30-45 days). You might only be successful with this if you have an excellent credit rating with your creditors.

FINANCE

*Cash Flow: CASH IS KING AND QUEEN. Try to receive cash early from charge customers and pay suppliers later than usual. This is an excellent strategy only if it is negotiated before hand and if you do not ruin your relationship with your customers and suppliers.

*Asset Management: Try not to buy fixed assets (e.g. equipment, vehicles), evaluate the relative benefits / costs of leasing new equipment or repairing old equipment. Properly maintain your fixed assets on a regularly basis so that they do not lose value beyond depreciation costs.

*Money Management: Do not keep using your business credit card on anything (products, supplies etc) that have a net value close to your credit card interest fee (18% & up). Try to obtain a line of credit now – it might be useful in the future when you can buy inventory at a significantly reduced dollar value. Try to refinance your business loan now –only if you are going to pay the same interest rate or less.

INFORMATION TECHNOLOGY

*Existing Technology: Evaluate your record keeping system (accounting, sales, marketing, human resources, inventory etc) to determine if it is causing your business to operate in an effective and efficient manner. If it is not doing so, correct it because after the recession your business does not need the burden of incurring extra costs and expenses.

*New Technology: Only purchase new computer systems, application /operating software (e.g. POS) and equipment (fax, copy machines etc) now if they are going to increase the productivity and profit levels of your business in the future. You now need to properly manage the cash flow of your business because you will need adequate money to take advantage of market opportunities after the recession.

Remember, The only way to successfully operate a business after a recession is to evaluate all areas of your present Business Model and refine it by focusing on reducing operating costs and expenses; improving staff morale and productivity levels; increase customer service activities; and stabilizing sales potential and profit margins. SME owners should now adopt a business survival strategy and their mission should be: staying open for business after the recession.

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