



EMERGENCY BUSINESS TRIAGE

BEST FOOT FORWARD

By Liza Jones

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The pace of change in business and commerce has never been faster. If you are not ahead of your competition, you are losing out to them. Are your teams self-motivated, achieving outstanding results, while raising your corporate profile and reputation among both existing and prospective clients? Here is a selection of steps you can consider to keep ahead of the game. Choose those best for your situation and then take effective, prompt action.

Many firms face the real possibility of business failure at the moment. But failure of some companies opens up opportunities for others. Take the initiative now to ensure you are one of the winners. Be creative and seize those quick wins. Even if you have lost some revenue, your aim is business continuity and growth. What can you offer to meet and exceed the needs and wants of clients and prospects?

There are several things you can do to mitigate the impact of the current economic situation. So, determine which strategies will give you the best opportunities for business growth, and then prioritise their implementation.



BE PRO-ACTIVE

Never has it been truer that cash is king. Businesses don't go bust from a lack of orders – they go bust from a lack of cash. A full order book is of little value if you can't complete those orders or get your invoices paid. There is an urgent need to keep costs down as much as you can, but no one is going to knock on your door and offer you help. Even Government grants and loans have to be applied for. If you belong to a Chamber of Commerce, business club or have a trade association or similar, make full use of your subscription. Many will have a raft of guidance services, usually free to members, to help you select which options might be best for you.

CHECK GOVERNMENT FUNDING

Adequate finance is fundamental to growth, so check what you might be eligible for. Governments talk about growth, and offer a range of loans and grants. Sources include grants for R&D and innovation,

and a sizeable sum is available to support SMEs adopting net-zero solutions. Make this a priority in your strategies, especially grants which don't need repayment. There may also be suitable funding for schemes such as apprenticeships and training projects. With the way AI is changing markets almost by the minute, ensuring your team members are at the cutting edge of knowledge for their niche is vital.

Exchange ideas with members of business clubs, Chambers of Commerce and similar. There may well be opportunities for joint ventures. And check informative webinars which may help you decide the best routes to take. Similarly, pro-active professional advisors, such as public relations specialists, marketeers, solicitors and accountants, can be good sources of guidance when developing your innovative ideas for handling challenges, raising your profile and positioning your company as the leader in your sector.

LEAD YOUR TEAM – LISTEN TO YOUR EMPLOYEES

Well-motivated team members value active listening and being appreciated. They may well have some truly valuable recommendations for improvements. Lead and support your team. Ask them for ideas, then give them constructive feedback and public recognition for their positive suggestions.

Although certain team members might initially be reticent to come forward, with reassurance and encouragement, they may just produce some spectacular ideas. Give them some time to come up with creative answers to what might have seemed to be insoluble issues. How about a regular two-hour session one day a week when they can pursue their own ideas, with a percentage of the profits from any resulting successes going to the team member? Such appreciation for their input can result in a true 'Win Win'. Keep in close touch with team members, perhaps with a half hour update each morning. Let them know what is happening, and ask them if they have any thoughts. You want to build their loyalty so they feel genuinely valued, and they may well have creative ideas or see positive routes to take that are less obvious to owners or directors.

Things will change over the coming months. Regularly review your strategies, and check back with team members to see how they feel and whether they have further inventive contributions to make. Certain individuals might need extra support to ride the waves, or overcome difficulties. A University College London study in 2016 found that stress is at its highest when the future is uncertain, so keep an eye out for any signs of mental distress. You may have experiences on how to handle problems that you can pass on to help others cope with any changes in circumstances.

If your orders and revenue take a dip, ask team members for ways to generate more business. They are at the coal face so may well see things that are less obvious to you. And publicly praise them for any positive input. By giving them the power to be part of the solution when times are tough, you may well help them to grow and expand their skills, and in so doing, allow them to feel more secure.

COMMUNICATE WITH CUSTOMERS/ CLIENTS

Keep your regular customers informed. Let them know as soon as you can about new products or services, and give them special introductory offers in return for their loyalty. Email your customers, or better still, phone or visit the key ones, and let them know what your business is doing.

"We have several new products due for launch shortly. As a loyal customer we would like to offer you special introductory terms to try these out. Would you like to be part of our Beta team?"

Let them know what you are doing, the perceived benefits to them of the new products or services, and stress how you will value their feedback.

Can you offer them complimentary products or services in these testing phases?



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Are you making the most of online offers as well as physical products or services. For example, if you are a gym, you could run online courses free to all members in addition to their face to face courses. Or can you offer something so that they can use your products or services for different applications?

And regularly review your website. Is it easy to use for the first time visitor? Does it encourage visitors to stay and view several pages? Are there quick 'calls to action'? Can you offer them a free download - perhaps a guide or factsheet? Do you have items that you could sell on line, along with PayPal Buy Now buttons on the website and a PayPal merchant account to receive payments?

The vast majority of people use a Smartphone or tablet to gain their information on products or services, so ensure that your website is user-friendly for all devices. Bear in mind the needs of disabled people. Can pages on your website be easily enlarged? Are there clear audio options?

As the market changes quickly, can you adjust your current offer to reach an altering market, albeit some of the changes being temporary? Often a small, lean business can adapt faster and shift gears into a new field more rapidly than large corporations. One example is quality fish wholesaler Marrfish, originally supplying leading restaurants and 5-star hotels, but lost its market overnight through COVID when these outlets were closed in 2020. They repackaged their product as "Domestic Fish Boxes" and started delivering to private homes, ideal for those self-isolating. What could have been a disaster turned out to give them a new market.

If your team members start using their own vehicles to deliver goods or despatch post, check that they have appropriate business use insurance. And if you are selling products that normally you would deliver, but because of a growth in orders this is no longer possible, see if there are any logistics firms that have empty trucks on the return leg of their journeys when they could deliver products for you at competitive rates.



DEBT HOLIDAY FROM CREDITORS

For B2B firms, talk with your creditors and say in the current economic situation you are renegotiating all payment terms and see if they will give you six weeks instead of 30 days. It might not sound much, but that extra 14 days can have a very positive effect on your cash flow position.

This kind of financial due diligence should run through the whole of your business. Look at ways you can delay payments on new purchases without extra financial commitment. Even small adjustments can make a difference. For example, when negotiating the purchase of new business vehicles, make sure they are all delivered with full fuel tanks, and that the first service is included free of charge. You might also get the cost of any vehicle adaptations or your vehicle wraps or signage included free of charge.

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Another alternative approach; instead of switching from 30 days to six weeks, you could offer a phased payment of 50% in 30 days and 50% in 60 days. You may well be surprised that some debtors will accept this, being happy to secure payment of half the debt within a month. Or they may well just agree to 60 days for the whole debt for simplicity's sake. When money is tight, these moves can help your cash flow.

If you don't ask, you don't know what you might be able to negotiate. Most companies will not ask, but may just default if cash is short, which is far worse.

It is very common that, if an outsider does due diligence to assess the financial position of a company, one of the first steps taken is to stop all payments for a period, often six weeks, to see how debtors can be paid. Debtors will almost always say "Yes" to a negotiation in terms because they would rather have part of their invoices paid than risk receiving nothing.

Talk with your suppliers. If they have product that your customers are wanting, see if you can renegotiate terms. Will your suppliers let you delay payment until your customers have paid you? If you are a good customer with a long-term relationship, they may be willing to work with you.

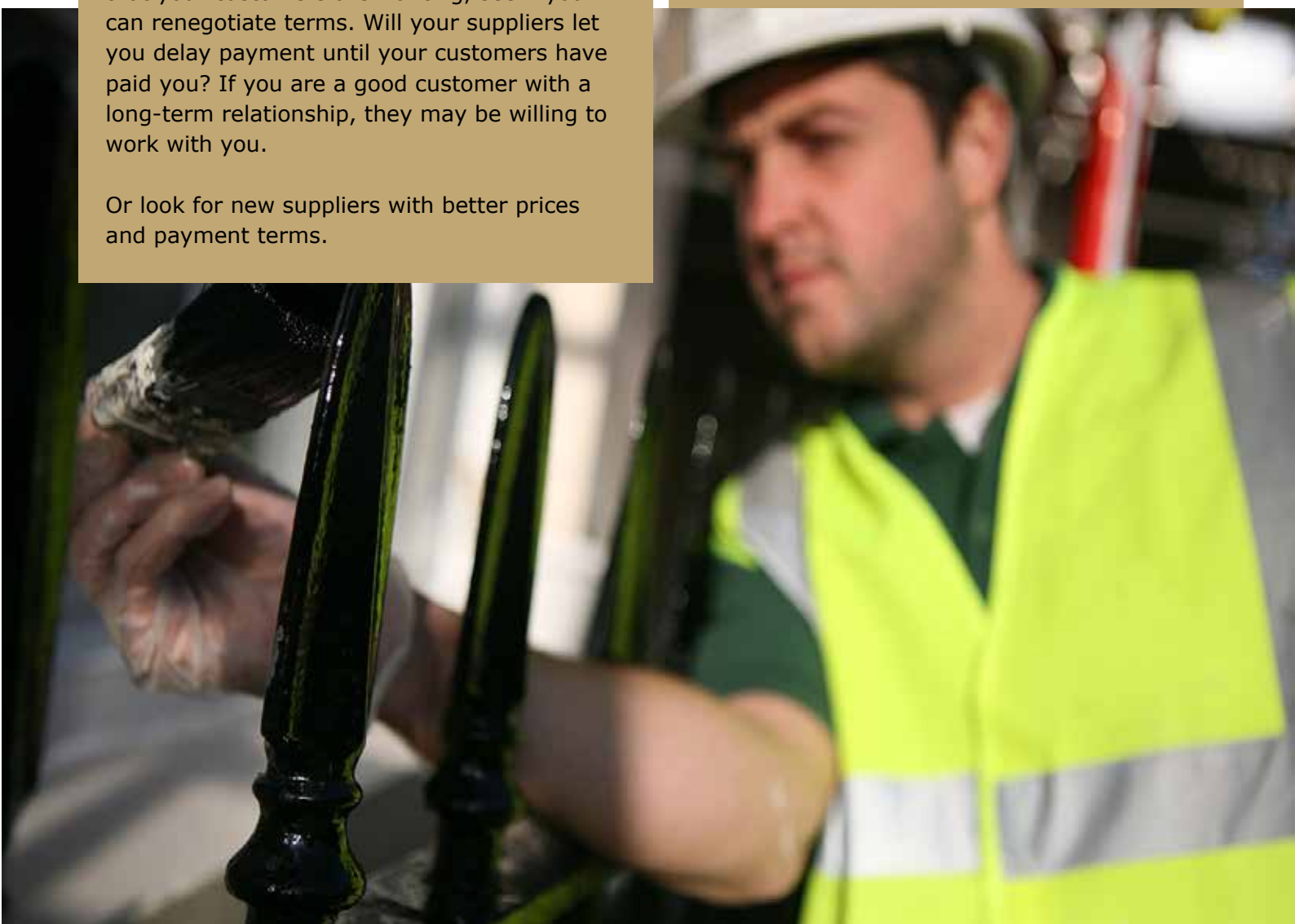
Or look for new suppliers with better prices and payment terms.

COLLECT ALL DEBTS OWED

If you have clients that owe you money, now might be the time to call them. You need to collect all debts, but be reasonable. Phone them and ask them to pay the debt and if they say they can't at the moment, suggest they give you something. Ask them what they can pay, what they can give you each month as part of the debt, and then set up a written programme confirming repayment terms.

Say you will not charge them interest on the debt – as you want a Win : Win position. And if in the event they can pay earlier than agreed, then offer them a 10% discount.

By negotiating a debt holiday with your creditors and concurrently collecting debts from those who owe you money, you can dramatically improve your short-term cash flow.



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SECURE THE VALUE IN YOUR BUSINESS

Assets must be secured away from your creditors. If you have a manufacturing unit, or you are a construction company with plant, or a gym with equipment, all the buildings, plant and equipment that you have may well be owned by your company.

Provided there is no lien or debt on the property or equipment, you need to take them and put them into a new, separate limited company and lease these items back to your main company. This way you no longer own these assets in the main company, so if the worst happens and your company fails, you still have the value of these assets. For those companies that have intellectual property, such as branding, images, designs and logos, the same approach should be adopted. You can set up a separate company to own the intellectual property rights, keeping them apart, and leasing them back to the main company. This is very common in many multinational corporates.

EMPLOYEES WORKING FROM HOME

While not possible for everyone, many employees can work from home part of the time. Once they are used to this and the attendant self-discipline, they are likely to just hot desk in the office or meet with their fellow team members when needed. Home workers have more control over their time, are often happier, more productive and better motivated.

As long as the work gets completed on time, within budget and to the right standard, does it matter where it is done?

Benefits of this flexible approach work both ways. Employees will usually relish giving up their daily commute with all the hassle and costs that entails. At home they may well start earlier in the morning, or run through until the evening, giving themselves a better work life balance and extra time with the family before children go to bed.

Those working at home no longer need office space, equipment or desks, reducing company overheads, although they may need to be provided with laptops and a contribution towards broadband and phone bills.

Email is ubiquitous and people can be linked for video conferencing and meetings through Zoom, Teams and other similar programmes. And screen sharing can be very helpful when explaining complicated issues.

Although the 'water cooler' moments are lost, there are plenty of opportunities to maintain contact. Email is fine for project orientated details, but don't rely on it for all communication. Pick up the phone or meet face to face for important business. Nuances in tone, or the vocabulary used can say much more than a bald email.

Ask open questions – those that can't be answered by a 'yes' or 'no', and take note of the replies. Active listening is often the best way to ensure things are not being misunderstood, and it gives you an opportunity to resolve any ambiguity or misapprehension.

Unless it is an integral part of your business marketing, it is best not to use social media as it might take credibility from your messages.

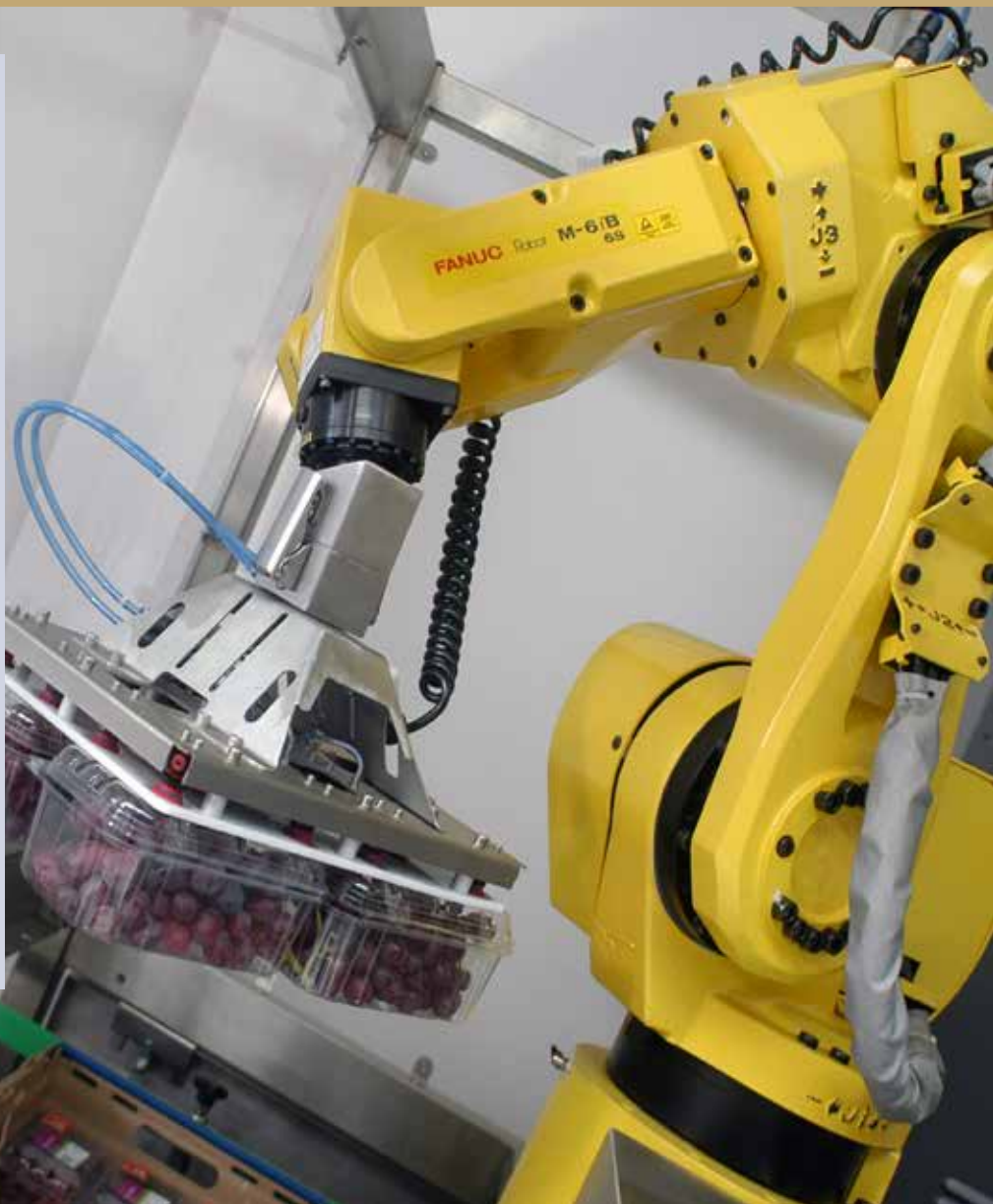


NEGOTIATE PAYMENT FREEZES

Contact your bank or other sources of finance and negotiate a payment freeze with no penalties on any borrowings. Again, if you don't ask, you don't know what is possible. For example, say you are only going to pay half the regular payments on the outstanding amount now, or freeze it short term with no increase in interest, and the bank may well agree.

CHECK DIRECT DEBITS AND STANDING ORDERS

Check bank statements and identify all Standing Orders and Direct Debits. Do you need all of them, or are there some that you could cancel? Only retain those that offer value for money and pay their way.



REDUCE CREDIT CARD PROCESSING FEES

If you have a reasonably high volume of credit card sales, look at the card processing fees. Get quotes from other merchant account providers and if they are lower, ask your current provider to match those fees. If not, consider changing providers.

NEGOTIATE A LEASE FREEZE

If you have a lease, ask your landlord for a rental holiday, at least short term. If you have never defaulted before, and especially if you have a good track record with them, say that in the current economic situation, you need to change things, so ask for either a lease freeze or temporary reduction in rent. They are likely to want to help you stay in business as they would rather have part of your rent for a few weeks or months than lose a good tenant.

You might even find that the landlord will give you a rent-free period for several months rather than risk having an empty building with no income.

CHANGE CREDIT LINES

Often businesses have lines of credit which while they may be flexible, can have high rates of interest. In addition, the lines of credit can be called in by the lender at any time, while a long-term loan cannot. Go to the bank and convert the lines of credit to long-term loans with lower rates of interest.

You can always go back at a later stage for another line of credit, and you still have the long-term loans to help the cash flow.

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REDUCE OVERHEADS

Get rid of non-essential overheads that do not contribute to revenue, such as that water cooler. What do you have that you can survive without?

If you have LinkedIn paid subscriptions, you might not need them, so cut back to the free version. What other subscriptions do you have? Are they all paying their way? If not, get rid of them. Don't keep them 'just in case'.

Look at regular orders such as stationery, and only buy what you need when you need it.

Look at everything and ask 'does it make me money, or is it just nice to have?' and if the latter, then you should get rid of it. Anything that does not contribute to revenue and profit should be looked at very carefully.

Perhaps you can reduce expenses in your private life as well. Do you need that extensive TV package with all those channels?

REDUCE COST OF SALES

Hold a minimum of stock, only buying in or producing product when you already have orders. Do you currently have a stock of slow-moving items for sale that you could sell at a discount or as special offers to your best customers to raise cash?

Obviously, exhibitions and trade shows represent considerable expenditure. Do you need to participate? But don't stop all promotions because you don't want people to forget you exist. Just run cost effective publicity through websites and online channels. And use commission only agents to sell your products or services.

Consider whether you can reduce or restructure advertising and other marketing spend to gain more benefit on a lower budget. Look at past sales. Were they increasing, consistent or declining? If sales were stagnant or declining, review what changes or investment you need to make to ensure that sales increase in future.

Contact former customers to see if they might come back to you and place orders. Call and let them know about your latest products and services. The more recently you have contacted a prospect, the more likely they are to remember you when they are ready to buy.

RENEGOTIATE YOUR MORTGAGE

If you have a mortgage on your business premises, get a new mortgage to replace the one you have, and put the new one into a separate legal entity – another limited company. Then either extend the term of the mortgage to lower the payments, or increase the amount of the mortgage so you get some cash out.

This is usually easy to do and relatively cheap. And since you own the separate limited company which holds the new mortgage, you can set a mortgage holiday for your main company when you wish, aiding short term cash flow.

PROTECT CORPORATE SECURITY

Make sure you can log in to your website as an administrator and owner, and change passwords if you wish. Also ensure you can control who has access to the website. You don't want to be held hostage by a website provider or designer when you no longer want to use their services.

Similarly, ensure you can control all passwords and access for computers, laptops and other confidential data such as bank accounts.

CALL TAX AUTHORITIES

You must register for Value Added Tax (VAT) once your turnover for the last 12 months exceeds £90,000.

While you have a legal obligation to charge VAT on many products and services, you can also reclaim the VAT you pay on many purchases.

If you have cash flow problems, call the tax authorities and ask for a stay of payments. HMRC and the VAT Office are often receptive to a delay in payment just as long as you contact them and explain the situation.



Photo courtesy Marrfish Ltd

COMPANY CARS AND CAR INSURANCE

Look at the costs of company cars. If leased, call your supplier and see what better deal they will offer. Similarly, negotiate the best deal for car insurance. Maybe you can arrange a group policy instead of single policies. Ask them "How can I reduce my insurance payments" but first check websites such as Moneysupermarket.com so you go armed with the premium rates from there.

CORPORATE INSURANCE PAYMENTS

When renewing insurance such as public and employer's liability, disclose your operating hours. A M-F operation vs 24/7 may reduce perceived risk. Some insurers may give a reduced premium, but conversely want CCTV, alarm systems or out-of-hours monitoring.

If you close for an annual holiday, such as Christmas, you will not normally get a reduction in premium as this is already taken into account. Business premises left unoccupied for more than 30 consecutive days may affect your insurance, so check with your provider. And don't cancel the buildings, contents or fire insurance!

ESTABLISH A ROBUST CASH FLOW PLAN

The most important step in your corporate strategy is to establish a robust cash flow plan for at least the next 8 weeks up to one year. You need financial clarity while minimising your fixed costs.

Use an Excel spreadsheet to draw up a cash flow plan month by month, with the incoming sums at the top, the outgoing underneath, and the very bottom line showing the overall position.

Put in the revenue if you have any, all the debts coming in (so if a debtor is going to pay you £100 per month, then put this in at the top of the cash flow,) add the essential outgoings, and then at the end of this process you will be able to see how much cash flow you have coming in and how much debt you have outgoing.

You then may have to renegotiate to move the date when you settle a debt that you have, and perhaps you call your creditors and say, for example that in the current circumstances you will pay them x% now and then y% in three or six months, when the cash flow enables you to do so.



GOING FORWARD

Review the above strategies and see which are the most appropriate for your situation. As far as possible, you need to prepare to ride out unforeseen storms to ensure you can prosper. Make sure you allocate some time to plan for the future.

And with AI and other changes in the workplace, take training to extend your and your team's skills, especially those relevant to your niche or which form part of your continuous professional development. Such projects can keep you at the cutting edge, so you are seen as a leader rather than a follower.

Resist checking your emails all the time. Better to only look at them two or three times a day. Anyone with a real emergency will surely phone you. Ignore the rumours on social media, and perhaps only check the news on Smartphone, radio or TV at lunchtime and in the evenings for updates.

Look after yourself and establish a sensible work life balance. If you own a business, make sure it works for **you**, rather than you working for it.

Treat your team members well while expecting good things from them. Apply your leadership skills to ensure a harmonious culture and resolve any conflict that arises. Use emotional intelligence in your workplace by recognising and understanding yours and other people's emotions.

Finally, we all need to have an element of fun and relaxation. Find something that amuses you, makes you smile or even laugh out loud. Perhaps it's an old film, a piece of music, a comedy programme on the radio or just the sight of spring flowers blooming with their promise of impending warmer weather to come soon.

Make sure you enjoy life, one day at a time.



***"All we have to decide is what to do with the time
that is given to us."***

From The Fellowship Of The Ring by J R R Tolkien



Liza Jones, Abucon Ltd

As an advisor to management, Liza brings constructive support to business owners seeking a corporate confidant. Running an SME can be a lonely road to follow, but having someone outside the company who you can bounce ideas off, or seeks solutions from, can make that journey so much easier. Perhaps your company has reached a crossroads. Liza counsels directors of firms seeking a change of direction or possibly requiring an exit strategy or joint venture. She helps with mergers, acquisitions and investment. With more than 30 years' experience, Liza brings objective, broad-based guidance, diverse benefits and creative input to enable businesses to improve their performance and profitability, gain competitive advantage and enhance their progress.