



Ask SCORE for Business Advice

Coping with Downturns

By Tina Dettman-Bielefeldt

About once a month, a group of Urban Hope Entrepreneur Center (UHEC) alumni gather at the Greenery Café, a business owned by alumni Vickie Wolfe, to discuss “best practices” for businesses. The talk is upbeat, and rather than focusing on the bad news, they talk about the success stories. They share ideas, and discuss the challenges of staying strong during an economic downturn.

“The challenge is to be aggressive and innovative,” says their mentor, Mark Burwell, Executive Director of the Urban Hope Entrepreneur Center. Burwell, who leads the group, recognizes that planning before opening a business is vital to its success, and that changing and adapting after inception is also necessary. In fact, businesses that watch economic indicators may be in a better position than larger companies.

“The fact that conditions are changing opens up opportunities for resourceful businesses to outsmart larger competitors who, during a downturn, carry on business as usual or are unable to adapt quickly – except to fire employees,” Burwell noted.

He says that these innovative small firms can gain market share by taking it away from competitors unable to adjust to shifting market conditions; maintain a strong cash stream throughout the downturn, in contrast to other companies that may have liquidity problems, and become a leader by being a more cost effective and efficient operation that is better positioned to do well when the market improves.

Burwell stresses to the UHEC businesses to look beyond the present, to overcome the constraints of tradition, to see the firm from a new perspective, and to do business differently. To manage downturns, he makes the following recommendations:

1. Watch inventories carefully, but don't hold them down so tightly that you lose sales.
2. Monitor your cash flow diligently and forecast it monthly to ensure that expenses and planned expenditures are in line with accounts receivable. Make sure your financial statements provide information that is timely, relevant, and accurate.
3. Separate the “nice to do” from the “have to do,” and eliminate nonessential expenses.
4. Watch the creditworthiness of your customers, even bread and butter accounts. This helps to avoid unpleasant surprises and can also lead to new opportunities.

5. Get aggressive with collections.
6. Strengthen your banking relationships.
7. Do not skimp on service and quality by being understaffed. Options include freelancers, consultants, and part-time employees.
8. In strategizing how to build your customer base and induce current customers to spend more, the importance of good service cannot be overstressed. Perception of service is fixed primarily in terms of time in a customer's mind including time to obtain service, reaction time to deliver service, and length of time of the service.
9. Advertising survival guidelines include: monitor your competitor's advertising, center your message on the benefits and advantages of your product or service, and stress quality and durability.
10. Training can be best conducted during slack periods, especially low-cost, on-the-job instruction and skill acquisition.

Burwell further recommends getting your employees involved in policy choices, tactics and implementation. They should feel like they're part of a team, and be encouraged to make suggestions and share ideas.

UHEC will feature "Stepping Up to New Opportunities" this fall to guide new and existing entrepreneurs. Further information is available at www.urbanhopegb.org. For the next three weeks, we'll talk to some UHEC alumni who are applying the survival techniques with great success.

Along with SCORE, UHEC is one of the partners inside the Business Assistance Center on the NWTC campus. If you have business concerns or would like to schedule free business counseling, contact the Green Bay Chapter of SCORE "Counselors to America's Small Business" at 920-496-8930 or visit www.greenbayscore.org.

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