

# Blueprint for Managing Your Business Through an Economic Downturn

By Jamillah Lodge, Director of Communication & Development, BEDC

What do you do as a business owner when due to an unplanned pandemic the economy looks as if it's headed south? There is measurable action that you can take to get through an economic downturn – just follow the “Blueprint”.

The Blueprint is a strategic guide that will help you to identify challenges and opportunities and give you the framework for action. The Blueprint should comprise the following three plans:

1. **Cash Management Plan**
2. **Costs Reduction Plan**
3. **Future Plan**

**1. Cash Management Plan:** When creating this plan, look at cash flow projections, accounts receivables, inventory, accounts payable and bank financing.

Cash flow projections:

Be realistic and consider the worst-case scenario. Look at your income streams and position yourself to make a profit. Identify capital expenditures that are necessary to run the business and get rid of those expenditures that are not.

Accounts receivables:

Establish sound credit practices and bill promptly and accurately. Encourage payment by offering discounts for prompt payment. Deposit payments as soon as you receive them. Be aggressive with past due accounts.

Inventory:

Maintain an accurate account of what you have in stock. Get rid of old and obsolete inventory – have a sale to attract new customers. Avoid purchasing excessive amounts of inventory. Ensure your purchases are shipped and delivered promptly to give you a better chance at turning the inventory over.

Accounts payable:

Pay your bills on time, but not earlier. If you may be unable to make a payment, keep your suppliers informed and discuss a payment plan or seek better payment terms.



Payment terms can also be renegotiated with your bank if you keep the lines of communication open. Use your Blueprint to update your business plan and go over it with your banking officer. Discuss ways to manage your loan payments. You may be able to consolidate your debt, refinance a loan or take out an overdraft.

**2. Cost Reduction Plan:** This part of your Blueprint involves your employees, discretionary and non-discretionary expenses, and capital expenditures.

Employees:

As the intellectual capital of your organisation, your employees may have ideas about how to reduce costs. You may find that there is an overlap in responsibility in your organisation and it may be cost effective for you to layoff employees who are not integral to the success of the business. Retrain the remaining employees and reallocate job duties. The savings on wages and benefits may give your business the needed breathing room to withstand the downturn.

Discretionary and non-discretionary expenses:

Your discretionary expenses are those that are changed easily by management decision such as advertising, repairs and maintenance, and research and development. While non-discretionary expenses cannot be avoided, discretionary expenses can be minimised to save money.

Reconsider any planned capital expenditures, or funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. It is unwise to take on any capital expenditures during an economic down time so you may want to consider putting them on hold.

**3. Future Plan:** Focus on the future of your company by reworking your business plan, creating and identifying new opportunities, establishing strategic alliances and streamlining your operations.

Review your business plan and determine what has changed since you first wrote it. Compare your expectations against what you know to be factual and amend the plan as needed. Research new ideas that you think could potentially enhance the plan. The BEDC can help you update your plan.

Create or pursue new opportunities. Check the radio, newspaper, TV or online regularly for any opportunities that may be available.

Establish strategic alliances, or agreements between two or more entities to achieve a common goal. Strategic alliances usually make sense when the parties involved have complementary strengths. Partner with another business to cut costs on shipping and duty when purchasing your goods. Instead of paying money for goods or services you need, barter to exchange with partners. Outsource jobs to partners who can accomplish tasks for less money than it would cost you to do these jobs in-house.

Streamline your operations. Identify your core business objectives and focus on them to eliminate duplication of efforts and capitalise on the parts of the business that are most profitable. For example, if a landscaping business makes \$200 a month cutting grass, but could make \$400 a month fertilising grass, then it would be more profitable to sell fertiliser and save time and money put into cutting grass.

Developing your Blueprint using the aforementioned plans can help you determine where to focus and how to implement your plan of action. For more information on managing your business through an economic downturn, visit the BEDC website [www.bedc.bm](http://www.bedc.bm), or call us at 292-5570.