

HOW TO MAKE YOUR BUSINESS SURVIVE IN THE 90's MARKET

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You may be in Mail Order, Direct Mail, or you may be a local merchant with 150 employees or more; whichever, however or whatever, you've got to know how to keep your business alive during economic recessions. Any time the cash flow in a business, large or small, starts to tighten up - the money management of that business has to be on the ball.

Some of the things you can do and should do, include protecting yourself from expenditures made on sudden impulse. We've all bought things or services we really didn't need, simply because we were in the mood, or perhaps due to the flamboyancy of the advertising, or even because of the persuasiveness of the sales person. Then we sort of "wake up" a couple of days later and find that we've committed business funds to hundreds of dollars for an item or service that's not really essential to the success of our own business.

If you're incorporated, you can eliminate these "impulse purchases" by including within your by-laws a clause that states: "all purchasing decisions over a certain amount are contingent upon approval by the board of directors." This will give you a chance to consider any "impulse purchases" a second time after you've had a chance to think about the need for your purchase.

If your business is a partnership, you can tell whoever it is that attempts to sell you something, that all purchase decisions are contingent upon the approval of a third party. In reality, the third party can be your partner, one of your department heads or even one of your suppliers.

If your business is a sole proprietorship, you don't have much to really worry about because as an individual you have three days to think about your purchase, and then to nullify that purchase if you think you really don't need it or can't afford it.

Especially in times of emergency, be sure that you don't "short-change" yourself on professional services.

Anytime you commit yourself and move full-speed ahead without fully investigating all the angles, and preparing yourself for all the contingencies that may arise, you're skating on thin ice. Regardless of the costs involved, it always pays off in the long run to seek out the advice or experienced professionals before embarking on a plan that could ruin you.

As an example, an experienced business consultant can fill you in on the 1244 stock or Sub-Chapter S advantages. A very simple process, but one with tremendous monetary benefits to businesses.

The 1244 status encourages investors to put equity capital into your business because in the event of a loss, amounts up to the entire sum of the investment can be written off in the current year. Without the "1244" classification, any losses would have to be spread over several years, and this of course, would severely lessen the attractiveness of your company's stock. Any business owner who has not filed as a 1244 corporation, has in effect, but himself off from 90-percent of his prospective investors.

Particularly when sales are down, you must be "hard-nosed" with people trying to sell you

luxuries for your business. When your business is booming, you undoubtedly spend more time allowing different sales people to show you new models of equipment or a new line of better-looking supplies, but when your business is down, skip the entertaining frills and concentrate on the basics. Great care, however, must be taken to maintain courtesy and allow these sellers to consider you a "friend," and call back at another time.

Whoever maintains your company's books should reflect your way of thinking, and generate information according to your policies. Thus, you should hire an outside accountant or accounting firm to figure your return on your investment, as well as the turnover on your accounts receivable and your inventory. Such an audit or survey should focus in depth on any or every item within your financial statement that merits special attention. In this way, you'll probably uncover any potential financial problems before they arise.

Many small companies set up advisory boards or outside professional people. These are sometimes known as Power Circles, and once in place, the business always benefits, especially in times of short operating capital. Such an advisory board or power circle should include an attorney, a certified public accountant, civic club leaders, owner/managers or businesses similar to yours, and retired executives. Setting up such an advisory board of directors is really quite easy because most people you ask will be honored to serve.

Once your board is set up, you should meet about once a month and present material for review. Each meeting should be a discussion of your business problems and an input from your advisors relative to possible solutions.

These members of your board of advisors should offer you advice as well as alternatives, and provide you with objectivity. No formal decisions need to be made either at your board meetings nor as a result of them, but you should be able to gain a great deal from the suggestions you hear.

It should be that most of your customers have the money to pay at least some of the money they owe you, immediately. To keep them current and the number of accounts receivable in your files to a minimum, you should call them on the phone and ask for some kind of explanation why they're falling behind. If you develop such a habit as a standard part of your operating procedure, you'll find your invoices will magically be drawn to the front of their piles of bills to pay. Do not be hesitant nor too much of a "nice guy" when it comes to collecting money.

Something else that's a very good business practice, but which few business owners do is to methodically build a good credit rating with their local banks. Particularly when you have a good cash flow, you should borrow \$100 to \$1,00 from your banks every 90-days or so. Simply borrow the money - place it in an interest-bearing account - and then pay it all back at least a month or so before it's due. By doing this, you'll increase the borrowing power of your signature, and strengthen your ability to obtain needed financing on short notice. This is a kind of business leverage that will be of great value to you if or whenever your cash position becomes desperate.

By all means, you should join your industry's local and national trade associations. Most of these organizations have a wealth of information available - everything from details on your competitors, to average industry sales figures, to new products, services and trends.

If they give you a membership certificate or wall plaque, you should display these conspicuously on your office wall. Your customers like to see such "seals of approval" and place

additional confidence in your business when they see them.

Still another thing often overlooked - if at all possible, you should have your spouse work in the business with you at least 3 to 4 weeks per year. The important thing is that if, for any reason, you are not available to run the business, your spouse will be familiar with certain people and situations about your business. These people should include your attorney, accountant, any consultants or advisors, your major suppliers and creditors. The long-term advantages of having your spouse work four weeks per year in your business with you, greatly outweigh the short-term inconvenience.

Whenever you can, and as often as you need it, you should take advantage of whatever free business counseling is available.

The Small Business Administration has many excellent booklets, checklists and brochures available on quite a large variety of businesses. They also have management and financial assistance programs that can definitely benefit just about any small business. Most local universities, and many private organizations hold seminars at very minimal costs, often without charge. You should also take advantage of free services offered by your bank and local library.

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The important thing about running a small business is to know the direction in which you're heading - to know on a day-to-day basis, your progress in that direction - to be aware of what your competitors are doing - industry trends and sales figures for businesses comparable to the size of yours - to practice good money management at all times - and to prepare yourself to solve your problems before they arise.

Generally speaking, times are always tough for small businesses. In order to survive with a small business, regardless of the economic times, it is essential that you surround yourself with smart people, and practice sound business management at all times. Be sure that if you are doing well now, you will continue to be successful in the future.