

Chamber Notebook

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Best Practices for Managing a Business in Bad Economic Times

by **Todd Neese**

Managing your business in bad economic times should not be fundamentally different from managing your business in good economic times. However, there are a few key areas that may require more attention.

Know where you stand

In turbulent times, vigilance regarding budgeting and forecasting is vital. Conservative budget estimates are wise, particularly in categories like uncollectable debt. Forecast more frequently to identify any negative trends and adjust business practices accordingly. If it becomes necessary to cut expenses, do so strategically. For example, while it may be tempting to reduce marketing and advertising, any short-term gain would likely be diminished by loss of name recognition and/or revenue.

Keep an eye on market trends

In changing markets, enhanced attention to purchase patterns is essential. Depending on your business, you may need to prevent greater losses by reducing inventory at a bargain price. Other firms may need to

expand specific service departments to meet a growing trend. Cross-trained employees are real assets when there is a shift in business strategy.

Competitive research may provide insight regarding potential growth opportunities. Such information may provide examples of potential pitfalls to avoid or offer unique solutions.

As indicated by the term "supply chain," any broken link can have a negative effect on the whole. It is imperative to know the status of suppliers and, if possible, have a back-up plan.

Communication is key

In an economic downturn it is natural for employees to have concerns about their job security and the financial stability of their employer. Pre-emptive factual information is the best way to alleviate concerns. If possible, communicate in person. Open communication shows respect



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for employees and provides a forum for questions.

Communicating with vendors and lenders is always essential, but particularly if cash flow becomes restricted. Providing honest and timely information regarding the ability to pay invoices is important in maintaining good relationships with key business partners. Given the opportunity, a company would prefer to retain your business.

The common thread throughout is to be proactive rather than reactive. While the realities of the current economic situation may be daunting, avoiding them only exacerbates the situation for your business.

Small businesses are especially vulnerable to economic changes. If your business needs assistance, contact the Roanoke Regional Small Business Development Center (sbdc@roanokechamber.org) for free counseling services and affordable training courses on a variety of topics, such as the Business Survival Series.

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