

Stayin' Alive – Cash Management Secrets of Successful Canadian SMBs



Cash is king in this struggling economy. Here are some tips -- culled from the practices of successful SMBs -- that could help your company maintain that life-giving cash flow.

by Nestor E. Arellano, 6/1/2009 5:00:00 AM

Financial experts say economic recovery is just around the corner.

The difference between stumbling short of the finish line, and making it across, lies in a firm's ability to maintain cash flow, according to IT industry insiders.

"Canadian businesses should position themselves for growth during the next six to nine months so they can stay ahead of the competition when the tide finally turns," says Rob Koturbash, managing director of Maple Leaf Angels, a Toronto-based group of private investors focusing on the tech industry.

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Koturbash was part of a panel of Canadian entrepreneurs and financial advisers who spoke during the half-day business conference titled Money Chase: Bootstrapping for Growth organized by the Innovation Synergy Centre in Markham (ISCM) in Markham, Ont. last Thursday.
<http://www.moneychase.ca/>

The in-your-face message from the current downturn is that cash is king, said Koturbash whose group, typically, provides viable IT ventures with seed capital ranging from \$250,000 to \$500,000.

So what steps may Canadian small businesses take to protect their cash flow ... a pre-requisite for their very survival?

The first absolutely crucial step for firms in tech sector would be to carefully monitor every expense, according to Brian Brennan, principal partner at Max Potential, a business consulting firm based in Aurora, Ont.

"To stay alive until recovery come you have to cut down on unnecessary expenses," he said.

But he cautioned against knee-jerk reactions such as "thoughtlessly gutting the workforce just to save on payroll." Such a move could backfire especially when productive personnel are given the pink slip.

While many large enterprises can afford to lay off 10 per cent of their staff, such a move would be catastrophic for most SMBs, he said. It could decimate the organization.

Even during an economic downturn, it's vital to keep production and sales in full throttle to ensure that revenues are generated.

Go for the low hanging fruit by exploiting easy-to-access tools and use technology to boost productivity, are a couple of other strategies that have paid off big time for eDev Technologies Ltd. a Toronto-based software company.

Among the company's portfolio of products is the InteGREAT –an integrated requirements development and management tool that helps administrators manage and maintain application requirements

Company president Asif Sharif tells how – rather than cut their sales force – the firm took advantage of Web 2.0 collaboration tools to double staff productivity.

"We made extensive use of targeted keywords and Google Adwords for online advertising. We cultivated a presence on social networking sites such as Facebook and LinkedIn."

Trade show appearances used to be a traditional marketing approach used by eDev Technologies. This used to cost anywhere from \$10,000 to \$15,000 per engagement, and tied many staff members to the trade floor for nearly a week.

The firm gave up these trade show appearances and instead developed a Webinar to reach out to potential and existing clients. The Webinar provided subscribers with industry information, but also highlighted eDev's products and services.

And the costs were a small fraction of what would typically be expended on a trade show.

The Webinar cost only \$500 to develop and market and nearly 500 people registered for the event. "To get the same amount of registrants we would have had to attend two trade shows, be on the road for two weeks and spend about \$30,000." Sharif said.

Here are a few more expert tips to help you manage your cash flow:

Hunt for bargains – Negotiate payment terms and prices with your suppliers. Remember, just like you, your suppliers could be desperate for business. Ask them for discounts or better payment terms. An extension on an upcoming bill or a reduction when you pay on time could provide your business vital breathing space. Don't be afraid to ask. The worst thing your supplier can say is no.

Lobby your landlord – Ask your landlord if he or she can give you're a break. Perhaps rent or maintenance fees can be reduced if certain perks in the contract are temporarily given up. Some landlords, Brennan said, might even agree to give up a portion of the rent if the lease is extended.

Collaborate with customers – Work with your customers on reaching a mutually beneficial payment scheme. For instance, if you need cash right away you can offer customers discounts if they pay their invoice within a certain period. Or if customers want to stretch out payments you can introduce installment terms that have a small interest included in the bill.

Spend wisely – Set up a committee to audit company expenses and procedures. Find out which areas are money pits and what operations do not contribute anything to the company. Obtain consensus on what aspects of the business should be changed, maintained or eliminated.

Think strategically – Don't go for short term gains when thinking about expenses. Always look out for the big picture. For instance, don't immediately consider layoffs.

"In many instances people will readily accept austerity measures rather than drastic measures like layoffs," said Brennan.

There are other cost cutting alternatives such as temporary compensation reductions, shortened work weeks, selective outsourcing and the use of technology to bump up production.

An ill-advised staff reduction can throw a wrench at the company's ability to generate cash flow, Brennan explained.