



What to do when the doo-doo gets deep

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Until just a short time ago, most business owners were able to meet payroll, satisfy their creditors, and pay themselves a “decent” salary. But in short order, health menaces, market downturns, and civil unrest have smashed the status quo. And that status won’t soon be reclaimed by anybody. The unhappy fact is that no enterprise, large or small, has a natural immunity to major “bumps in the night.”

Does that mean that, given today’s crises, small and medium size business owners like you are now on the proverbial “slippery slide” to oblivion? Sadly, some are. But most can act *NOW* to avoid that circumstance.

Know that these bad times aren’t the bellwether of failure for those enterprise leaders who act quickly and smartly, and exploit luck along the way.

What is happening today is not a terminal tragedy. It’s not a failure on your part. It isn’t worthy of despair. In fact it might be an opportunity to suck it up, move ahead, and lament the loss of some competitors who are not as savvy or determined as you.

If you can manage to accept today’s travails as a “hiccup,” take a breath, count to ten, and heed some *important* (cross my heart) experience-based, ad-free, and short *Brass Tacks Tips* that are offered in the remainder of this [BrassTacks TipSheet](#)

Spoiler alert! This serving of *BrainFood* will take about 7 minutes to read, so you might choose to download it and print it out for gradual consumption or a re-read. As my ol’ uncle Ollie used to say, “It’s best to eat a cow steak-by-steak.”

[Brass Tacks Tips for surviving and succeeding when the doo-doo gets deep.](#)

Be concerned but don’t panic. The first order of business should be a reality check so start your assessment close to home. Assess the big things and the little things that you see as threats. Remember, when out of sight, “little” tends to become “big.” Find out why your bookkeeper’s normal frown has turned into a scowl. Check in on the welfare of your biggest customers. Visit the

banker you've been avoiding. Survey your employees to determine who will show up when you need them.

Gather the troops together and brainstorm your situation. Structure the meeting on a positive note. No one likes to be part of a "losing" team, so communicate with your employees, vendors, lenders, and smart friends for advice. Manage your attitude. The kinds of folks you need on your side generally react positively to an optimistic "winner." Your business problems are yours and won't be lessened by "dumping" them on your team members. Nevertheless, see if you can jointly develop some "immediate response" tactics for operational improvement. (Leave the strategies for when you have more time.) Your goal at this time is to mutually-generate solutions with those who are best positioned to help you.

Tap the talent. Team members closest to the daily operations and to your customers generally have the best view of what's happening and why. They also can be your best source of ideas for constructive change. But, keep in mind, you have to ask for their help and be seriously interested in what they have to say. It's quite possible that a select number of major things -- like process configurations, product or service offerings, purchasing, job descriptions, collection and payment procedures, and pricing -- can be changed quickly to produce significant, immediate results. If feasible, ask your friends, fellow owners, advisors, or retained professionals for their advice also. Put your attorney on speed dial and keep him or her up to date.

Sit down with your accountant, bookkeeper, or Quicken app and get an exact fix on your firm's present financial condition. Income statements and balance sheets that are six months old won't help. You need sales, expense, and cash flow information that is current. Put together a simple but realistic cash flow statement. Get a fix on the cash you will need to keep the lights on and the troops calm.

Quickly decide on the most essential and immediately actionable modifications in procedures, product offerings, services provided, staffing, and security that will be necessary to keep you afloat for the near term future...three to ten months. These adjustments will be essential to sustaining your operations and qualifying you for emergency funding, if necessary.

Monitor your intended efforts to ensure that they will allow for sales, gross margin, and net profit (loss) metrics that will sustain your scaled down enterprise until better times begin. These financial measures are your most important diagnostic tools. Make whatever uncomfortable adjustments have to be made to keep your engine on track.

Determine if a cash shortfall is looming. If it is, seek out your quickest and least painful way of supplementing ready cash. Friends, family, credit cards, lines of credit, are potential sources. Your 401K or retirement plans should be your last resort sources and should only be tapped if you are confident that you have a more than fighting chance at survival. Government funding programs are also an option. A bank loan, extension, or supplement is another possibility, but make sure you can factually convince the lender that it's possible for you to do what you promise. Also, keep in mind that you will probably be asked to personally guarantee any debt that you or your company incur.

Check to see what personal assets are exposed. Your intended rise might not be worth the cost of the ticket.

Cash flow is your lifeblood, so start a daily log of in-and-out flows to determine just where your cash is coming from and where it's going... and when the flows are happening. Are our "sources" of cash adequate and are your "uses" of it appropriate? Are the flows meeting appropriately or is there a timing gap that must be resolved?

Consider selling a minority interest in your business to raise cash. Make sure a prospective cash buyer is somebody you trust and create a repurchase agreement that is satisfactory to both buyer and seller. For practical reasons, one buyer is preferable to multiple buyers. Forget an ESOP (Employee Stock Ownership Program) at this point. For that kind of buyout you need a lot of time and a source of credit, which you don't have now. If you are pessimistic and your personal gusto for the business is waning, consider a complete sale of your enterprise to an enthusiastic entrepreneur or investor who sees opportunity down the line and is willing to expend the time, money, and energy to realize it. A quick sale just might position you (and your experience) favorably to re-engage your entrepreneurial pursuits when the current, crisis conditions subside. (First try to find out why a potential buyer is optimistic. The reasoning might change your mind about selling.)

Don't sign anything required by a lender working for Uncle Sam or any other funds providers you have not dealt with in the past until you check with your attorney, accountant ...and significant other. Remember, during a crisis, your home should be your haven! Make sure you know what the future downsides might be and what you must do *now* to preclude them. Speculate about the kinds of post-closing changes in loan terms and conditions that might negatively impact you later. Read the fine print and don't just assume you'll "work things out later." You want "later" to be a happy time!

Keep your eye and the BEP. Your firm's breakeven point is both a yardage pole and a goal post. Most simply defined, your BEP is the revenue (e.g. total sales) necessary to cover your company's *total* amount of fixed and variable expenses. It will help you gauge your "field" position between solvency and insolvency...and it suggests how far you have to go to get a "touchdown." Most importantly, it can help you focus on and evaluate sales goals, sales strategies, pricing, product/service mixes, essential costs (especially fixed costs), cash needs, and your firm's creditworthiness. You can find the easy formula for a BEP on Google.

Examine your biggest "controllable" expense category. In most companies it is the payroll. Determine where you might be able to combine jobs, reduce hours, increase workloads, and, if necessary, cut jobs. The latter course of action should be executed very carefully. Keep in mind that your highest paid team members might not rank among the indispensable ones. Layoffs are preferable, if every person on your team is essential under normal conditions. However, a crisis might be an opportunity to get rid of some dead wood. Be careful when it comes to furloughing key workers. Some might not be available when you attempt to rehire them.

Try to decipher trends in sales. Will your “steady” customers remain consistent? To what extent will you be able to recover customers that have drifted away? Focus any marketing efforts on current and former customers who have had prior favorable experience with your firm. Determine what elements of your modus operandi you might have to change in order to re-attract old customers and recruit new.

Focus on the customers who are the most responsive and contribute the greatest amount to total sales and to your margins. Keep in mind, the “Pareto Principle” suggests that eighty percent of your sales come from twenty percent of your customers. Examine your sales cycle to see if you can reduce the time from an initial customer contact to the receipt of an order. You might have to do some customer triage using this metric.

Police your purchasing. Are you buying at the best price and on the best terms you can get? Your old vendors might not be your best sources in today’s circumstances. Comparable, alternative vendors might be experiencing cash flow issues and will be willing to offer on-the-spot price concessions. If you really love your existing vendors, don’t be afraid to squeeze them a little. (In a strictly monetary sense, of course.)

Examine your pricing policies. Are they in sync with your break-even point, your competitors’ *current* prices, and the circumstance of the day? Promote items with which you can offer a competitive price advantage. A crisis affects supply and demand... and pricing. Take advantage of strong demand but don’t gouge. Customers have long memories.

Put together an aged payables list to see how much you owe and to whom you owe it. Gauge how far you can stretch your payables without being unfair. You don’t want to get a reputation as a notorious deadbeat. That can really hurt you later in better times. Be particularly scrupulous with respect to making on-time payroll tax and sales tax payments for which you are personally liable. Those payables should get first priority, always.

Work your social media to keep your customers, friends, fans, and prospects aware of your status and what you are doing to maintain operations at the highest levels. Let them know you are there and working hard to achieve operations at a better than normal level. Inform them of any changes that might affect them when you make adjustments to your routines. In stressful times, you might consider offering a “special” product, price or service to capture their attention and secure their patronage. Bad assumptions can lead customers to unnecessary alternatives.

Be sure that you have the right team members doing the right jobs, and that they are organized, supported and motivated to provide the kinds of productivity you need. Staff realignments or reductions might be necessary. Rank your employees according to their essentiality, productivity and overall performance. Aside from being your most important resource, your employees are generally your largest and most manageable expense. Make special effort to retain those who can contribute to you and do not have any other employment options or sources of income. Consider bonuses for those who are critical to your efforts and who go above and beyond. They are keepers.

Get on top of your receivables. Are you collecting quickly enough? Ask your good customers if they can accelerate their payments. Bug those - daily - who are slow pays. Start out as “Mr. Nice Guy” and devolve from there. Making sales is one thing; getting the cash in hand is another. At this juncture, you don’t want your receivables to be financing other businesses. Remember, “cash is king,” and sometimes it’s wise to “fire” a customer. Repeat after me: CASH IS KING... CASH IS KING... CASH IS KING.

Finally, while you are implementing some of these tips, keep a low profile with all except your customers, team members and vendors. There’s a lot of turmoil, anxiety, and anger out there in our social and political environs and you can’t afford the time, trouble, and downside that can come from being an active participant... at least not at this point when your nose should be kept to the grindstone.

Your time could be better spent speculating about *probable* future challenges... their timing, nature, and consequences. Obviously, you can’t have a complete contingency plan for every *possible* surprise happening that *might* emerge. But, by cultivating a mind-set and a sense of readiness that do not presume everything will go “according to Hoyle,” you will acquire a personal flexibility and an informed responsiveness that will pay off handsomely in situations where a rapid response and frequent mid-course corrections will be necessary. In the words of Dr. Kent G. Stephens, a foremost authority on failure avoidance, “The best way to achieve success is to determine – as carefully as you can – how you are apt to fail.”

In fact, it might be wise to pay heed to Murphy’s Law and expect the worst while you are striving for the best. Things hardly ever go exactly as planned. But if you smartly engage what comes your way, you might just show that Murphy’s Law isn’t a law you have to obey.

Good luck and good fortune!

Brass Tacks Definition: “Getting down to brass tacks” *adv phr fr early 1900’s* Dealing with the essentials; concerned with the immediate practical realities. *Webster.*

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