

10 Survival Tips for Small Business Owners

By Chesney Bradshaw



The reality for many small business owners is that they were forced into starting something of their own. Perhaps they were retrenched, fired or unable to find a job.

What this means is that often small business owners really haven't even had time to obtain some training in basic small business practices such as finance, human resources management and marketing.

The other real danger is that the small business owner works so hard in the business, trying to push for more sales, handling negotiations with suppliers, making month-end payroll and trying to get big customers to pay on time that they don't catch major problems in their business before they become a threat to their businesses survival.

Newspaper reports recently indicated that about 4,000 businesses went insolvent in 2013. The causes for these business failures were not reported on but it doesn't take a rocket scientist to figure the usual fatal mistakes: bad business decisions, running out of cash, a market that has dried up or even an employee who have embezzled the company.

Here are 10 practical survival tips for small business owners:

1. Stay inside your "circle of competence": the investor Warren Buffett avoids making investments outside his "circle of competence". Starting something new, venturing into a new market requires competence that the existing small business owner may not have. Stick to the knitting in bad times.
2. Keep focused on cash flow: When the cash dries up, the game is over. In hard economic times its important to monitor cash flow more frequently, if not daily. Set up a simple system and watch your cash like a hawk. Big customers want to take ever forever to pay and suppliers want their money now. This makes it vital to manage cash carefully.
3. Don't sign sureties: when cash runs out, the temptation is to go to the bank to increase your overdraft. Don't sign sureties that for a small loan require confiscation of all your business and personal assets. Enough said.
4. Temptation: Act ethically at all times: even what may seem harmless will become a major issue if it involves an unethical business practice. Ensure you have a clear red line where you will not cross over. In this economy with people desperate, unethical, exploitative small business are on the rise. Detect them early and avoid them at all costs. Some are not paying their taxes, operating illegally and not complying with health regulations and should be shut down by the relevant authorities.
5. Take time to work on your business: Working in your business gives you very little time to work on your business. Make time each week to review where your business is going and how you can improve your operations and increase your market.
6. Insurance cover: Have insurance cover in place for fire, theft and personal liability: It sounds like a no-brainer but how many small business owners have adequate insurance? Don't be wiped out because of this.
7. Business advice: The biggest risk that a business often faces is poor business advice. Airlines and utilities are virtually bankrupt because of bad business decisions and have to be bailed out. Double check business advice and rely on your own common sense and savvy.
8. Avoid the dangerous number 1: there is a danger in having one big customer or one key supplier. Check your business for this kind of risk and make backup plans.
9. Keep a watchful eye out for unusual employee behaviour: One of your employees could be handling too many critical tasks, employees could be taking out stock without you knowing it and finance or bookkeeping employees could be involved in an invoicing scam. Watch out for suspicious behaviour.
10. Be frugal: keep costs down and avoid unnecessary purchase of new assets. Set your small business a cost reduction percentage target and stick to it.

These 10 tips for small business survival are just a few that any small business owner should keep in mind during these economic times.

If you are in any way concerned that there could be un-seen or hidden risks in your business, get in the right professionals or a business adviser before it's too late.