

**Find the silver lining**  
**how your business**  
**can thrive during**  
**an economic**  
**storm** *By Barbara Weltman*

Most businesses are impacted by the slow economy. Sales may be down, costs are up, and credit is tight. Only smart companies will be able to manage the challenges and become stronger and more vital for the experience. Here are some ways you can take advantage of current conditions to help your company shine.

### TAKE ADVANTAGE OF TAX OPPORTUNITIES.

The Economic Stimulus Act of 2008 created two important tax breaks that apply only for 2008. Use them now to upgrade your equipment or miss out on this tax-saving opportunity.



**First-year expensing of equipment up to \$250,000.** Instead of depreciating the cost of equipment over five years, seven years or more (the period is fixed by law), you can opt to deduct the cost in the year the equipment is purchased and placed in service. The expensing option applies not only to computers, office furniture, machinery, and other equipment, but also to off-the-shelf software.

**50% bonus depreciation.** Half the cost of new equipment purchases can be deducted in the first year, with the balance depreciated over time. Bonus depreciation can be combined with first-year expensing to produce dramatic write-offs. Both breaks can be used whether equipment is purchased for cash or financed in whole or in part.

### USE TECHNOLOGY TO WORK SMARTER.

Companies that are watching costs and may be running with a tight workforce can save time and money while improving efficiencies by employing useful applications.

**Integrate software to reduce data input time and save training time spent learning multiple products.** Instead of finding a different software application for every business process—accounting, customer-relations management, etc.—look for a single, integrated solution to handle your business processes. With this approach, staff will be more productive; they will learn one application faster than several applications; and they will save time by entering data into just one system.

**Automate business processes and scheduling.** Use technology to handle routine business processes (such as materials and production planning for manufacturers) so you can manage higher administrative volume without increasing staffing levels. You can also use scheduling tools to better administer staff utilization.

**In-source.** Outsourcing is often thought of as a way to save money. In reality, you can save money and maintain greater control if you manage tasks in-house through technology rather than outsourcing. For instance, instead of outsourcing payroll, enable your staff to handle it easily through the appropriate application.

**Expand market influence.** Use built-in analytics that provide timely, accurate, and actionable information to help you identify needs (such as additional capital) and opportunities (such as new markets). Having this information enables you to take action in a timely fashion and mitigate risks.

## REDUCE OVERHEAD.

To maintain profitability in the face of slowing or stagnant sales, you need to trim expenses and find other ways to reduce the drain on revenues.



**Cut expenses.** Evaluate all current expenses to see where cuts can be made. Pay special attention to energy consumption because energy conservation can provide multiple benefits—it saves energy costs and helps the environment. Limit travel to necessary trips and, instead, use conferencing technology to bring parties together on a less costly basis. Where appropriate, invest in solar or alternative energy—it saves energy costs (the payback period may be shorter than you think) and can reap substantial tax breaks (federal and/or state tax credits, exemption from state property taxes, etc.).

**Cut inventory.** Maintaining inventory costs you money in warehousing, tying up financing, and paying state taxes. Look for ways to move merchandise through sales or by giving inventory to charity. Charitable donations can create tax deductions as well as generate goodwill for your company.

**Get rid of customers that produce low margins.** Some customers may be too costly to service; produce only small margins; or create big headaches. Now is the time to cut them loose.

**Use independent contractors.** In a down economy, when you need to get things done but don't want to commit to a long-term employer-employee relationship, independent contractors can fill the need (e.g., to complete a special project). When feasible, it's less costly to use independent contractors instead of full-time employees. . Doing this will save on needed space to accommodate workers and avoid costly payroll taxes. But don't invite IRS problems by mis-classifying your workers, which means arbitrarily labeling workers as independent contractors even though they are really employees. If you have the ability to dictate when, where, and how the work gets done, the workers are employees and should be treated as such.

## WATCH YOUR CASH FLOW

Slow-paying customers in a bad economy can have a domino effect on you by adversely affecting your cash flow.

**Maintain your credit rating.** The key to having access to capital is a good credit rating and, to have a good one, you need to pay your bills on time. This can be done by carefully monitoring your cash flow and using existing credit options wisely.

**Step up collection activities.** Your customers may be experiencing their own cash flow challenges, which can delay payment to you. Be ready for this possibility by reviewing and revising your invoicing and collections policies. For instance, instead of billing all customers at the end of the month, bill each one as work is completed or goods are shipped. Send invoices electronically and follow-up on a schedule that will help encourage payment.



## USE YOUR SLOW TIME WISELY.

The slow economy means down time for many businesses. Turn your down time into productive activities that will help you get through any current difficulties and position the company for a robust economy that is sure to come.

**Review your business and marketing plans.** Strategies you had mapped out for your business may not be appropriate in this difficult economy. For instance, you may have initially budgeted for an expensive marketing program, but given your higher energy costs and other expenses that are eating into your bottom line, you may now want to use less costly marketing strategies. Maybe you want to put more emphasis on social-media marketing (e.g., blogging or hosting customer reviews of your products or services), which can cost little or nothing but can be highly effective. For instance, participating in MyVenturepad ([www.myventurepad.com](http://www.myventurepad.com)) can give your company visibility by enabling you to post your blogs and/or comment on the blogs of others.

**Reach out to customers.** Take the time now to find out what's working and what isn't. Use customer surveys or questionnaires, which can easily (and inexpensively) be sent to your customer database via e-mail. Provide an incentive for responses, such as a nominal gift or a discount on future purchases.

**Maintain employee morale.** Employees can surely see when sales are slow and their opportunity for wage increases and bonuses are slim. Find no- or low-cost ways to reward employees, such as giving time off or allowing for flexible schedules. If layoffs become necessary, pay special attention to keeping up the morale of remaining staff; staff anxiety can lead to bad decisions that will hurt your company. If leadership stays calm and demonstrates rational decision-making, staff will follow suit.

**Explore new opportunities.** Use the time you have now to look into new business opportunities. This can mean bringing on new lines or creating new partnering arrangements to improve efficiencies.

## CONCLUSION

No matter how bad the economy may seem now, there is light at the end of the tunnel—recessions and economic slowdowns do not last forever. Good times will return. Be prepared to hit the ground running when they do by taking action now.

## ABOUT BARBARA WELTMAN

Barbara Weltman is a respected attorney and a nationally recognized small business authority. She is the author of several bestselling books on taxes and finance. And her newsletter, *Barbara Weltman's Big Ideas for Small Business*, is considered the source for timely information on small-business issues and trends. Ms. Weltman has been featured in *The Wall Street Journal* and on *Inc.com*, *Bloomberg TV*, *CNN*, and *CNBC*, and is a frequent speaker at *eBAY Live*.

