SMALL BUSINESS OWNER'S HANDBOOK

PART III:

MANAGING A SMALL BUSINESS

Introduction

To manage means to plan, to direct, and to control. To manage a successful small business you need to combine reliable information, sound approaches, good business instincts, and previous experience in order to effectively direct and control your business.

You need to start with a clear understanding of all areas of your business operations. In the final analysis, only you can ensure that all tasks are carried out and that areas of strength and weakness are noted. This will enable you to exploit strengths and to reduce or eliminate weaknesses.

Once your small business reaches a certain size, you will benefit by delegating responsibilities and authority and by working with the suggestions of your management team and employees. Another decision is what management functions, such as bookkeeping or marketing, will be outsourced.

Your management approach will depend on your personal style and the current needs of the business. There are many management books, articles, and training materials available in libraries and bookstores. These can help you assess your own management skills and increase your awareness of successful approaches to managing a small business.

In this business guide, we will cover many important aspects of operating and managing a small business. The guide also includes information on how to stay in business through both good and difficult times. In most cases, management considerations are the same for small retail, service, and manufacturing businesses. Where there are unique differences, these are outlined in separate chapters.

Managing Your Time

Given that you are responsible for a wide range of responsibilities and activities, learning to effectively manage yourself and your time is an ongoing challenge and one that is critical to your long-term satisfaction running your own business.

The rewards for effective time management are considerable. These include increased productivity, an increased sense of accomplishment, and reduced stress and pressure.

Learning to treat time as a valuable resource may mean more delegation of responsibilities. For example, spending your time on administrative and bookkeeping activities may not be the best use of your talent if they drain you of the time or energy required for key management tasks critical to the success of your business.

Delegating responsibility also helps prepare others to take over key management tasks, when necessary. You should have a plan in place for how the business will be managed if you are unable to be there due to sickness or injury.

Small business people, like most people, often have an unrealistic idea of how they spend their work hours. Before you can use your time more effectively, you must understand how you use time now. Keep a log sheet (for a week or so) to help you establish how much time you spend on different activities. Then decide if you're spending your time the way you want to. If you aren't, decide on a way to allocate your time to match your business priorities.

Managing Employees

Hiring and keeping good employees is one of the most crucial management tasks for small (and large) businesses. Good employees can be your company's greatest assets.

In a small retail or service business, new and repeat sales are directly related to how well your employees look after the needs of your customers. In a small manufacturing business, the quality of your products and the efficiency with which you produce them is directly related to the commitment and competence of your employees.

Human Resource Planning

To make sure your business is run as efficiently as possible, decide how many employees, with what combination of skills, the business requires. Most small businesses start out with the minimum number of core employees needed to get the business up and running, and then their staff complement expands as demand for their products and services increases.

Take time to plan your current and future human resource requirements. This will ensure that, as your company grows and demand increases, you will have quality, trained staff available to meet the needs of your customers.

When assessing the number of employees you require, consider the following:

1. Do you require a small core group of full-time employees, plus some part-time workers for peak periods?

2. Are your peak business periods seasonal, and should you hire staff accordingly?

3. Is it more efficient to contract out certain aspects of your business, such as bookkeeping and accounting, rather than hiring employees to do the work or doing the work yourself?

4. Can you fill irregular or unexpected work requirements by hiring occasional workers on contract?

5. In addition to wages, a new employee results in costs related to recruitment advertising and interviewing, benefits, training, expenses, administration, and record keeping. Rather than hiring a new employee, is there an

alternative, less time-consuming and less expensive way of getting the job done?

6. Will hiring new employees be of net financial benefit to your business?

Employee Relations

Being an employer calls for the use of authority, imagination, tact, and patience. As an employer, you must recognize that people are not all motivated in the same fashion. Some thrive on additional responsibilities; others prefer consistent expectations. Some need constant praise and encouragement; others generate their own sense of accomplishment.

Despite their differences, when employees are treated with respect, honesty, and courtesy from the start of their employment, their long-term commitment to their job and positive attitude about it increases.

Several measures contribute to good employee/employer relations. These include:

1. Make sure your employees clearly understand what is expected of them. This can be accomplished through job descriptions and through formal or informal job training. Training is not only good public relations; it also makes your employees more productive.

2. Explain to new employees how their job fits into your overall business operations and how important it is.

3. Whenever possible, promote from within the company. Also, as employees' performance increases, so should their wage rate and responsibilities.

4. Make sure your employees understand their rights and benefits, including regular wage and overtime pay, holiday pay, and holiday time.

5. Establish an open working relationship with your employees. Encourage their input, and be willing to discuss any issues, problems, or concerns they may have.

6. Deal with all complaints or conflicts among employees fairly, openly, and directly.

7. Compliment employees when they do a good job. Correct performance problems constructively (without criticism). Record performance observations, and meet with employees on a regular basis to discuss their performance.

8. Make sure your employees understand company policy on issues such as overtime, holiday scheduling, promotions, and regular wage increases.

9. Do not play favorites. Employee benefits, salary increases, and promotions should be based on merit and on established rules.

Employee Compensation, Incentives, and Benefits

Wages and salaries should be competitive with other companies in the business and should be adjusted to the difficulties and responsibilities of each job within your company.

There are other factors to consider when setting salary levels including:

- Minimum wage
- Salaries for similar jobs in the area
- Applicant's previous salary and experience
- Potential of applicant to add to company profits

You should have a policy, which is clearly communicated to your employees, about how wage increases are determined. Are they determined by length of service, by performance, or by a combination of both?
Newspaper advertising is a common way of recruiting new employees. Display ads are used for specialized jobs, whereas classified help-wanted advertising can be used for recruiting all types of employees.

Recruiting and Hiring New Employees

Although hiring new employees can be a time-consuming task, it is time well spent if you acquire quality staff. Ways of finding potential new employees include:

- Your current applications file
- Recommendations from current employees, family, and friends
- Trade and industrial associations
- Schools and teachers
- Commercial employment agencies

- CanSask Career and Employment Office www.ae.gov.sk.ca/ces-offices
- Customers and suppliers
- Employment websites
    - Monster www.jobsearch.monster.ca
    - Saskjobs www.saskjobs.ca
- Newspaper (and other forms of) advertising
- Your business' website

Whenever possible, tell your present employees about job vacancies first. Good, conscientious workers often have friends of similar character and ability. Before going outside your business to fill a supervisory post, consider present employees who are capable and deserving of promotion. Promoting from within provides incentive for employees and is good for employee/employer relations.

Employment websites and newspaper advertising are common ways of recruiting new employees. Display ads are used for specialized jobs, whereas classified help-wanted advertising can be used for recruiting all types of employees.

Job Design and Description

Effective employee management also involves designing and documenting job descriptions for each of your employees. In addition to providing an overview of your company's staff and the work that each one of them does, job descriptions will also assist you in the following:

- Hiring and training new employees
- Preparing employees for promotion
- Describing reporting relationships and expectations
- Providing a basis for performance assessments
- Keeping wages in balance with responsibility and productivity

Hiring Employees on Contract

Many small businesses hire workers on contract. Contract workers aren't full-time employees but are contracted for a specific period of time or to complete a specific task. Canada Revenue Agency has strict guidelines for who qualifies as an employee. For more information, contact Canada Revenue Agency.

Advantages:

- Can adjust workforce for peaks and valleys of demand-maximize cost return on staff
- No CPP and EI employer contributions to pay
- Simplifies payroll: no deductions to remit to Canada Revenue Agency

Disadvantages:

- There are costs of recruitment, training, and severance for each cycle
- Can be difficult to find qualified people when needed
- Customer service may lose continuity. Less commitment to the success of your business

Managing for Profit

Determining Costs

Many businesses fail or have poor results because they don't take into account all the costs associated with producing their product or service.

In most businesses, costs can be broken down into two categories:

1. **Fixed costs**: These are overhead costs that don't change, regardless of production levels.
2. **Variable costs**: These are direct labour and material costs that increase or decrease in direct proportion to the amount of goods or services produced.

Determining the total costs of producing your product or service, and deciding which costs are variable and which are fixed, will have important implications for your overall financial planning and decision-making. This will have implications for the price you charge and the volume of product or service you produce.

Sometimes it's difficult to determine if a certain cost is fixed or variable. For example, in most small businesses, some employee costs are fixed and others are variable. Direct labour costs associated with the actual production of your product or service is considered variable costs. On the other hand, the wages paid to staff that work in areas such as administration or sales are usually considered fixed overhead costs.

Your accountant or bookkeeper can help you identify which of your costs are fixed and which are variable. For more information on determining and recording costs (expenses), refer to *Small Business Owner's Handbook Part V: Record Keeping for a Small Business.* For more information on using costs in your business planning decisions, refer to *Small Business Owner's Handbook Part II: Financial Planning for a Small Business.*

Sometimes your total fixed and variable costs do not add up to the true costs of producing your goods and services. This is because intangible costs, such as machine set-up time, idle-time, and time for estimating and bidding on jobs, cannot always be calculated. If you cannot accurately calculate these factors, a miscellaneous expense element must be added to your cost calculations.

Setting Prices

The price you set for your product or service is one of the key management decisions you will have to make on a regular basis.

Before setting prices, these factors should be considered:

- What does it cost to produce your product or service?
- What is your break-even price?
- What are your profit goals?
- What are your marketing goals?
- What prices are your competitors charging?
- Is there a high or low demand for your product or service?

There are three main ways to set prices:

1. **Market Pricing**

   Market pricing can be risky especially if it includes under-pricing to compete or make sales. The following may be useful:

   - Use competitor's prices to establish the price range for similar products or services, but don't under-price. If your true costs are higher, then your business will lose money. There may be a valid reason why competitors are able to price their product lower. Some reasons include: 1) access to lower priced materials, 2) long-established relationship with suppliers, and/or 3) Volume discounts.
   - Check for how your competition reacts to your entering the market. Be prepared for prices to change, and have a back-up plan for your own pricing.

2. **Cost Pricing**

   Common mistakes:

   - Costing materials at original prices rather than replacement cost. Use replacement cost in all financial work.
   - Not including salaries. Figure out how much it would cost to hire someone to do what you are doing and work this business expense into the calculation.

- Not including the opportunity cost. The opportunity cost is what your money would have earned if you hadn't invested it into your business. this includes the interest, dividends or capital gains that you would have made. This is a real cost of doing business, include it.

- Forgetting to make allowance for refunds, future servicing, depreciation, and the interest charges. Include these costs into the calculation.

3. Break-Even Pricing

Break-even pricing determines the lowest price your business could charge without losing money (or making) and runs a risk of under-pricing. For example, if your break-even price turns out to be the same as a competitor's price, and you are pricing to the market, your sales will not include any profit/return to you or the business for growth.

Benchmarking

Benchmarking is the process of continuously comparing and measuring against similar companies to gain information on philosophies, policies, practices, and measures which will help your business improving its performance. It is the practice of being humble enough to admit that someone else is better at something, and being wise enough to learn how to match and even surpass them at it.

By looking outward for improvement, you'll gain a better understanding of your relative position in the industry. Benchmarking works because it helps you to understand your own processes and enables you to learn from others.

Why do Companies Benchmark?

1. To develop and implement strategic goals
2. To establish realistic actionable objectives
3. To provide a sense of urgency
4. To encourage striving for perfection and innovative thinking
5. Create a better understanding to the industry
6. To emphasize sensitivity to changing customer needs

Eight Steps to Benchmarking:

1. Identify what is to be benchmarked; it can be a service, process, or practice

2. Identify the organization(s) you want to benchmark against. This company should be a "leader" in its community or industry

3. Determine the data collection method and then collect this data; measurements must be chosen to provide a meaningful comparison. Collection usually involves in-person meetings and site visits of areas being benchmarked

4. Determine current performance levels; this includes identifying gaps between your organization and your benchmarking partners

5. Communicate your findings to the staff and ask for feedback

6. Establish objectives (the final outcome)

7. Develop an action plan to achieve these objectives

8. Monitor this process regularly

Types of Benchmarking

There are four types of benchmarking:

1. Process

Focuses on work processes and operating systems, such as customer service, billing, ordering, and administration. The objective is to immediately improve performance or productivity.

2. Performance

This is "competitive" benchmarking and allows managers to assess their competitive positions through comparisons. Main focuses are on price, technical quality, product or service features, speed, reliability, and other performance characteristics.

3. Strategic

This approach examines how companies compete, and looks for "best-practices" within the market (not necessarily industry-specific). This method is used for long-term competitive strategies.

4. Internal

This method mainly applies to the larger companies. This effort looks for internal best practices and tries to establish them uniformly throughout the company.

Managing Your Assets

Having the right amount of inventory on hand is a crucial part of managing your business. Too much inventory on hand means you will have excessive amounts of capital tied up in stock, therefore reducing the amount of working capital you have available for day-to-day operations. Too little inventory means either not having enough items to sell to customers or not having the materials to provide your service or manufacture your product. This represents a lost opportunity to serve your customers and a potential loss in profits.

Before you can effectively manage your inventory, you must have an effective method of tracking and recording how much stock you have on hand.

Minimizing Service Business Inventory

If you are in a small service business, it is generally advisable to keep inventory to a minimum. For example,

1. If you are a contractor in the construction trades, it is usually advisable to purchase the specific construction materials you need for each job. This is preferable to tying up working capital by keeping a wide variety of construction materials in stock.

2. If you own and operate a restaurant, it is important to plan your food supplies carefully. Having too much food on hand results in a significant amount of spoilage, thus reducing your profits.

3. If you operate a general car repair shop, it is too expensive to stock a wide range of parts for all the major makes of cars on the road. It is much more cost-effective to establish good relationships with suppliers so you can get parts quickly as you need them.

Purchasing and Controlling Retail Inventory

If you are in the retail business, effective inventory control and decision making is one of the most important factors determining your success or failure. A small retail business can't afford to make serious mistakes with its inventory.

Stock Turnover

The speed at which stock turns over (usually measured as the number of turns per year) has a direct influence on the quantity and balance of your inventory. Slow stock turnover is a drag on your inventory. It ties up cash in slow-moving items and will probably mean that you will be forced to markdown (discount) the selling price of these items in order to clear them out.

On the other hand, you can maximize the stock turnover rate of a particular item simply by stocking very little of it. If this item is a popular or hot seller, however, this will mean that you will lose sales and customers if the stock runs out.

Optimum stock turns vary, depending on the type of product you are selling. Here are some industry norms:

- Women's Clothing Store: 6.8 times per year
- Grocery Store: 20 times per year
- Furniture and Appliance Store: 5 times per year

You should set up objectives for your stock turns. Subdivide merchandise into logical classifications or departments and establish a realistic average for turn rates on each classification. This will help determine which products are fast and slow sellers, how much you should reorder, and whether you should continue or discontinue selling certain product lines.

Controlling Manufacturing Inventory

If you are in a small manufacturing business, it is also advisable to keep inventories as low as possible without affecting sales or production efficiency. Raw materials and partially or fully finished products tie up cash that could be put to better use.

The key is to develop an inventory control system to meet customer orders while minimizing inventory costs. Four steps to effective inventory control for small manufacturers are:

- Step 1: Keep accurate records of how much inventory (raw materials, finished and partially finished products) you have on hand.
- Step 2: Estimate future sales of your product over a certain time period (could be a year).

- Step 3: Base the amount of product you produce per month on projected sales and existing inventory. Production requirements will only be higher if you plan to increase product inventory.
- Step 4: Production requirements and the amount of raw material on hand will determine the amount of raw material you need to order on a monthly basis.

Managing the Production Process

If you are in the manufacturing business, a key management responsibility is to ensure that your manufacturing plant produces quality products at a cost-effective price.

Depending on the size and nature of their manufacturing operation, some small business owners manage the production process themselves, while others hire an experienced production or plant manager.

There are four main elements to consider in planning and managing the production process. These are labour, production materials, equipment, and plant layout.

Labour

The first step in deciding on the size and makeup of your labour force is to prepare a list of all the basic operations required to produce your product and the estimated time to perform each task. For example, cutting, welding, assembling, gluing, and painting may be required.

When hiring labour, consider the following:

1. Are there special skills required to perform certain tasks? Do these tasks require licensed trades people? If so, where can this skilled labour force be found?

2. What labour training programs are necessary? Are any of these training programs eligible for government-subsidized wages?

Equipment

Examine the production process and determine your equipment and machinery needs. Determine the total cost of this equipment, including taxes, freight, installation charges, and training required. It may not always be necessary to purchase a brand new top-of-the-line model, if a less costly or used model will perform the same function.

In order to free up capital for day-to-day business operations, many small manufacturing businesses are leasing rather than purchasing equipment. For more information on this topic, refer to *Small Business Owner's Handbook Part II: Financial Planning Managing a Small Business.*

Production Materials

Materials are a significant part of the cost of your production process. Careful planning is required. If you don't keep enough material on hand (including any component parts used), your production process may be interrupted. Conversely, too much raw material on hand means that you have unnecessarily large amounts of capital tied up in raw materials.

Because the quality of raw materials and component parts will affect the quality of your finished product, it is important to find the highest quality materials at the lowest price.

When planning your material purchases, consider the following:

1. What quantities of each raw material are needed to produce your product over the next month? Over the next year?
2. Where will the raw materials come from? List your main sources and include price, delivery time, and any special features, such as quality. Make notes regarding whether they meet all your specifications and if they provide credit.
3. Are there alternative sources of supply available if your regular suppliers cannot meet your demand?
4. Would it be cheaper to make certain materials or component parts used in your production process rather than buying them?
5. Are there volume discounts available from suppliers, and do they have minimum purchase requirements?
6. If you are using a depleting resource, are there specific government regulations to consider?
7. What environmental regulations must be met for processing waste products resulting from the use of raw materials?
8. What other regulations must be met, such as the storage of explosive materials or toxic chemicals?
9. Do you have on hand miscellaneous shop materials used directly or indirectly in the production process, and are they accounted for in your costing calculations?

10. Are any of your raw materials perishable, or do they have special storage requirements?
11. Is shipping included in the cost of raw materials? If not, what will it cost to ship them to the plant.

Plant Layout

Designing or redesigning the layout of your manufacturing plant is a major undertaking that requires time and considerable preparation. There are three approaches you can use when designing or redesigning your plant layout:

- Hire a plant or production manager to develop a plant layout plan
- Hire an outside production or efficiency expert to develop the plan
- Develop the plan yourself

The more complicated the production process, the more you should rely on outside experts to help you. If you decide to develop the plan yourself, visit other production plants to observe what works and what doesn't work in their plant design. Make sure you get critical feedback on your plan before you implement it. It is far easier to change a poor plan than it is to change a poor production process once it is up and running and the machines are bolted to the floor.

Whether starting or expanding your plant, you must know your present and future space requirements. When planning your layout, make sure you consider the following:

1. Which elements of the layout (such as heavy equipment) will be the most expensive to change?
2. Does the location of the heavy equipment limit the direction of expansion, and is there room for the expansion of each element of production?
3. Are the locations of the basic raw material input areas and product output areas functional and convenient, and is the overall flow of the raw materials fast and efficient?

Managing Retail Merchandising

If you sell products and have a display area, the design or retail space will greatly influence sales. How merchandise is displayed also contributes to your store's overall image. The most effective store layout makes maximum use of the retail space available, while also presenting your merchandise in a way that is attractive, uncluttered, accessible, and convenient for your customers.

There are three approaches you can use when designing or redesigning your store layout:

1. Design or redesign it yourself. Make sure you visit similar types of retail outlets and observe their store layout. Get critical feedback and professional advice (as necessary) before making any changes.

2. Hire a retail manager and ask them to develop a store layout plan.

3. Hire an outside merchandising or retail store design expert, preferably one specializing in your type of merchandise.

Merchandise Fixtures

The most effective and efficient store fixtures display merchandise in a logical, orderly fashion, with maximum exposure to customers. Remember that a well-designed fixture that gives maximum exposure to goods is less expensive in the end than a lower-priced fixture that doesn't allow for effective display.

If you are selling small, expensive items, such as jewelry or watches, security can be a major concern. This type of merchandise should be kept under lock and key, although it should still be clearly visible to the customer.

Wherever practical, the merchandise should be displayed so that customers can handle it. Self-service fixtures not only save money, they also enhance the display and sale of stock. Self-service fixtures allow customers to shop without having to ask a salesperson to show them the merchandise, and there is no barrier between the customers and the goods.

Fixtures should be designed, if possible, with upper and lower tiers to make maximum use of vertical space. Goods should not be put out of reach or out of sight of customers. The best selling space is from waist to eye level.

Suppliers may provide fixtures at nominal cost to display their products. If you use their fixtures, make sure they fit into the overall layout and display plan for your store. Often suppliers will advise on display needs and techniques, especially when they are doing promotions or installing displays in your store.

Colour and Interior Design

Colour helps set a buying mood. Generally, strong contrasts and loud colours should be avoided. Although they get attention, they also overpower the merchandise and distract the customer. Background colours, however, tend to blend in with or highlight the display merchandise.

In experimenting with colour, keep in mind that high priced merchandise and high fashion items are best displayed in more refined colour arrangements, such as blues, greys, greens, and blacks. If you are handling lower priced items and are trying to encourage impulse buying, brighter colours can attract customers.

Interior signs answer basic customer questions about location, size, price, and other features. They should always look professional and up-to-date. Make your signs informative, concise, straightforward, and easy to read. In larger retail stores, overhead signs can help customers quickly locate the specific items they are looking for.

Aromas, Sound, and Moving Displays

There has been recent research on innovative techniques that encourage customers to stay longer in your retail space (and therefore buy more). Just as it is important to have attractive display fixtures and window displays, appropriate lighting, carefully selected aromas, and background music that are appropriate to your customers' profile create a pleasant, appealing ambiance.

At the same time, some consumers express concerns about being "manipulated" and if, for example, the choice of scent or music is offensive to some, there are a risk of losing them as customers.

Moving displays have been used in store windows, especially at Christmas time. Carefully chosen, moving displays at any time of year might help your retail space stand out among other retailers who rely on passive displays.

Floor Display

The overall floor design of your retail store will determine how attractive and accessible your merchandise appears to customers, and this will have a major effect on how much they purchase. Floor display and design will also determine how pleasant and convenient your customers' shopping experience is, and this will influence their decision to return to your store or become regular patrons.

Effective retail floor designs vary, depending on the size of the store and the type of merchandise being sold. In a grocery store, for example, bread and milk should be kept at the back of the store. When buying these staples, customers will be exposed to as many store items as possible. In a clothing store, sale items should be placed near the entrance to attract customers, and more expensive items should be kept near the back of the store.

When designing your floor space, consider the following:

1. Determine what your traffic pattern will be, and make sure related items are adjacent to one another.
2. Ensure that your aisles are wide enough for the anticipated customer traffic.
3. Try to create a circular traffic pattern through your store, so that customers are exposed to as large an assortment of merchandise as possible.
4. Decide the best locations for the various departments.
5. Customers should pass by items that they may buy on impulse on the way to inspect items that are continually in demand.
6. Cash registers should be located for easy access by customers and salesclerks, and to ensure security throughout the selling floor.
7. Non-selling and office activities should be kept out of valuable selling space.
8. Receiving, labeling, and pricing merchandise should not be done on the selling floor, as this will negatively affect both your store's appearance, atmosphere, and your customers' access to merchandise.
9. More colorful merchandise, national and private brands should be highlighted in your floor arrangement and window display.
10. Items that reflect the store's image or sense of fashion should be prominently displayed.

11. Place advertised and non-advertised specials at the end of counters, as well as in their regular shelf space.
12. Depending on the type of store, each merchandise category should be grouped under a separate sign.
13. Arrange merchandise in each category according to its most significant characteristic - color, style, size, or price.
14. Do not overcrowd counters and aisle tables, and keep trash bins out of sight.

Lighting

Well-designed lighting systems can have a major impact on retail sales. They are the most effective means of highlighting merchandise and can influence shoppers to move from one department to another.

Good lighting highlights product features by giving texture and depth. It also strengthens color. The three key elements of lighting design are the following:

- Levels of brightness (measured in foot candles)
- "Color" of light (measured in Kelvin temperature)
- Ability of light sources to render colors naturally (measured by the color rendering index- CRI)

Lighting needs to match the intended image of the store and to fit the product line. For example, fashion boutiques prefer bright pools of more natural light on displays with lower light levels in aisles to add energy to the display areas. Discount stores prefer more uniform, cooler light to match the corporate image of low-cost, no frills.

Lighting systems can be combinations of fluorescent, incandescent and halogen.

Staying in Business Tips

Despite the best of intentions, many small businesses run into serious difficulties, and many are forced to go out of business. Many successful businesspeople have previously experienced business failures. The following is a list of tips to help you avoid potential problems and to stay in business through both the good and tough times:

1. Keep good business records. These records tell you where your company stands at all times and form the basis for good business planning and decision-making.
2. Make a realistic budget and stick to it. Make realistic projections of how much revenue your business will generate, and keep expenses in line with those revenues.
3. Make realistic cash flow projections. Plan carefully for how the money will flow into (revenue) and out of (expenses) your company.
4. Keep debt load manageable. Borrow only the amount of money you need to keep the business running.
5. Protect your cash by renting or leasing such things as property, machines, equipment and vehicles.
6. Cultivate and maintain long-term customers.
7. At the same time, diversify your customer base as much as possible. Avoid staking your future success on the viability and loyalty of a few customers.
8. Customer service is key to business success. Establish high product and service quality standards and guard them fiercely, even as sales increase and you are scrambling to meet new demand.
9. Keep a close watch on your competition, including their pricing, service, and marketing policies. Learn to anticipate and to respond, if necessary, to the moves of your competitors.
10. Keep a close watch on the overall market for your product or service. How can you adapt your product or service to the changing demands of the market?
11. Keep a close watch on your inventory. Poor inventory control will result in too much capital being tied up in inventory.

12. Keep a close watch on both accounts receivable and your credit policy. Bad lending decisions will result in too many overdue or delinquent accounts receivable.

13. Look for innovative and inexpensive ways to promote and to advertise your product or service.

14. Regularly reassess the number and quality of your employees. Do you have the right number of staff with the right skills and attitudes?

15. As your business grows, delegate more. Use your employees' skills and protect your own time for key decisions and activities.

16. Have a clear succession plan in place. Be prepared for the eventuality that one of your partners or key personnel will leave the business.

17. Develop a positive working relationship with your lenders and investors. If your business runs into financial difficulty, a good working relationship with your lender will assist renegotiation of the terms of a loan and the repayment schedule