

Operating A Business – What You Need To Know

Cash Flow Is The Lifeblood Of A Small Business

Cash flow is the lifeblood of a small business. Cash comes from sales, collection of accounts receivables, and the sale of assets. On the other hand, cash flows out to meet all expenses and debt obligation of the business. Good cash flow management forms an integral component of sound financial management, which can be achieved by implementing and **maintaining** a financial management system, whether manual or computerized

The goal of good cash flow management is to have enough cash on hand when it is needed. This is a simple concept, yet in practice, it eludes even the biggest operations.

Have A Management Plan

Too often, the owner/manager is the jack-of-all-trades, being the production manager, the accountant, the bookkeeper, the salesman, the marketing director, the custom broker, the truck driver and the list can go on. Naturally, taking on all of these responsibilities is too much for any one individual and of course, some tasks are left undone.

The solution is to develop a management plan, which identifies the various skills required and makes provision for the recruitment of suitable staff to ensure the company's viability and sustainability. Proper human resource management is key to the success of a company. Employees are the most important asset any company can possess.

Products must Meet International Standards.

The world is fast becoming a global village, so business competitors may not necessarily be down the road or in the next village or town, but as far away as Japan or Malaysia. Today's consumer may choose to purchase products locally or order directly from overseas suppliers via the Internet, mail order or by traveling to other countries. Products must therefore meet international standards and be competitively priced.

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Marketing- an important lifeline

Too often business owners fail to recognize that it is their responsibility to ensure that the consumer is made aware of their products or services, and operate under the mistaken concept that the business will promote itself. It has also been the argument of some that advertising and promotions are unnecessary expenses to their business. As mentioned above, today's consumer has choices. In addition, with the markets opening up (the advent of the Caricom Single Market & Economy – CSME and the Free Trade Area of the Americas – FTAA), the competition is becoming more aggressive. It is therefore imperative that enterprises have a marketing budget. Business owners need to be pro-active in ensuring that their products and services are familiar to potential consumers. Advertising and promotions are the lifeline of a business and should be treated as such.

A Business Plan Is The Company's Road Map

Many small business owners and managers very often place business planning or strategic planning on the back burner, but planning is critical to the company's long-term viability.

The business plan is the road map, which directs the business owner as to where to go, provides the tools that are needed and the strategies that one must implement. The business plan should contain four distinct sections; the description of the business, the marketing plan, the financial plan and the management plan. Ask the following questions in developing the plan.

- ◆ What product am I going to produce or what service am I going to provide?
- ◆ Can I raise adequate capital to sustain the business over the long term?
- ◆ Is the product or service going to benefit the consumer?
- ◆ Which products or services are in demand; is there a steady flow of cash?
- ◆ Is the product or service unique? Is my product or service different from other products and services being offered?
- ◆ Can I find a suitable location and building for my business?

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Entrepreneurship has a number of benefits. These include: the chance and the ability to make more money than one can make working for someone else; being one's own boss and not having to answer to any one else; and the idea that as the business owner, no one can terminate your services.

As an employee of a company one may be comforted by the fact that at the end of the month there is a paycheck available to meet financial commitments; but this is certainly not the case for a small business entrepreneur. Before entering into the world of entrepreneurship, one must give due consideration to the following:

- ◆ A large financial risk is being taken on;
- ◆ There will be long hours and fewer opportunities to take vacation;
- ◆ A lot of time will be spent attending to the details of running a business and less time enjoying other things of life;
- ◆ New disciplines like filing, bookkeeping, inventory control, production planning and all the functions of management will have to be learned.

Spending time addressing these issues and questions will go a long way in making the small business profitable and sustainable.

Technical Assistance Is Available for Small and Medium Size Enterprises

Technical Assistance is now available to small and medium size enterprises throughout the OECS under a USAID funded Small and Medium Size Enterprise Development Programme, (SMEDP), being implemented by the Export Development Unit (EDU) of the Organization of Eastern Caribbean States (OECS).

Designed to offer a range of services to improve competitiveness, expand market access and increase exports of OECS enterprises, the programme focuses on the delivery of technical assistance to SME's in upgrading enterprise capability, computerization, the development and implementation of productivity tools, business procedures, market information/market research,

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financing and Training. It involves the implementation of a Technology and Innovation Program (TIP), with special focus on quick responsiveness to identified needs. While the Programme offers a short-term financing facility, the main focus is the delivery of technical assistance by in-country Business Advisors and roving consultants, offered to SMEDP client firms free of charge.

Companies involved in Agribusiness, Agro Processing, Arts & Crafts, Food & Beverages, Furniture, Wood & Forestry Products, Garments & Textiles, Information Technology, Metal Fabrication, Glass Works & Ceramics, Renewable & Bio Energy Technologies and Tourism & other Exportable Services can qualify for recruitment into the Programme. To be eligible, the enterprises should:

- Have underutilized production capacity (i.e. in plant, or in field),
- Have an operational track record of at least two years,
- Already be exporting or be export ready (local tourist market, regional or extra regional) and
- Have less than seventy-five employees.

Following the identification of a potential client company, an in-house diagnostic assessment is undertaken in consultation with the management of the enterprise. Upon recruitment into the programme, a technical assistance plan is developed for the delivery of the required technical assistance.

(Submitted by *Anthony C John, Business Advisor OECS-EDU SMED Programme*, as part of the Eastern Caribbean Currency Union's Financial Literacy Month Programme Oct. 2003 - "Building Strong Economies Depends on You and Me")