

Financial Stress-Test 8 Tips for Getting Your Business in Order

Nobody goes into the events industry because they love finance. Indeed, to most independent planners and owners of event businesses, dealing with the economics of their companies is considered up there with a root canal. But the start of the new year is as good a time as any to take a step back and gauge your company's fiscal health. Here are a few tips for keeping your financial house in order.

- **CASH IS KING. LONG LIVE CASH.** Having positive cash flow is different than having a profitable business. Your P&L could show a loss, but your business can still survive if you have a strong cash position. But if you run out of money, your business is over.
- **WATCH OUT FOR THE GOLDEN GOOSE.** Over-reliance on a single client or group of clients can be deadly. Look at your revenue broken out by customer, and ask yourself, "What would happen if this client disappeared tomorrow?" If you have more than 15 percent of your business tied up in one client, it's a red flag. It doesn't mean you scale down that client; just keep cultivating new ones to spread out your customer base.
- **PREPARE FOR THAT RAINY DAY.** Most business experts suggest keeping a cash reserve of three to six months of your fixed operating expenses available in case of emergency, and that's a good idea. Even better is a plan for how you will reduce your overhead if for some reason business hits the skids. The more flexible your finances are, the more time it buys you to turn things around.

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- **NEGOTIATE WITH BANKS WHEN YOUR FINANCES ARE STRONG.** The worst time to go to a bank is when you desperately need the money, because that's when your financial statements likely look their weakest. Build a relationship and credit history with your bank when you have solid financials to show them. Open a line of credit, and even use a bit of it just so you can pay it back and develop a successful payment history. Having access to a line of credit can save your business if you hit a rough patch. Likewise, if you want to expand, that credit line can be a great source of financing.

- **BE LEAN AND MEAN WITH EXPENSES.** The biggest expense to watch out for is your office lease, because it's usually a long-term commitment and almost impossible to renegotiate the terms. Don't take an inch more space than you can afford, and do everything possible to keep that rent down. Use freelancers as much as possible, and don't hire additional permanent staff until you're sure you've got a steady workflow to support them. Finally, don't overspend on technology. These days there are cheap or free online solutions for just about everything, so avoid hiring programmers to custom-build you solutions. For example, lots of people are throwing up quick Facebook pages for events instead of creating websites for them. And assume that for every \$1 you spend on software or hardware, you should budget another \$1 for training or tech help to learn and integrate it.
 - **FRONT-LOAD CLIENT PAYMENTS.** Don't start work on a project without a deposit, and always try to have clients pay you in advance of when the work will be performed. In particular, always get paid in full for everything prior to the event. Once the event is over, clients are in no rush to pay you. Even worse is to have a large outstanding balance held hostage by a client who may have a complaint about something, forcing you to adjust their bill far in excess of what their complaint may be worth.
 - **DON'T PAY SUBCONTRACTORS UNTIL YOU'VE BEEN PAID.** Never pay a subcontractor or vendor until your client has paid you for that item or service. Negotiate favorable payment terms with your vendors before hiring them, and you won't have a problem.
 - **DOUBLE UP ON PROJECTIONS.** Assume that any new project or endeavor (re-doing your website, launching a new service, moving into a new office) will cost twice what you estimate, and take twice as long as you think. I still fall victim to ignoring this advice. Even if you have the best vendors, the fact is that as projects progress you see things differently and new ideas come to light.
- None of this advice should replace the counsel of a good accountant, which everyone should have. But these rules helped my business survive some tough down cycles, and ultimately grow, and you can't go wrong by integrating them into your financial planning. **es**

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