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How to Preserve Cash for Your Business

KNOWLEDGE@WHARTON | JUNE 30TH, 2009 - 09:44 AM

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If you're running a small business today and aren't thinking about how to tighten your belt, you are surely in rarefied company. But if you're like the rest of us, you're scrambling to cover expenses, pay bills and make

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We asked Wharton lecturer and small business expert Robert Chalfin, about cost-saving strategies for small- to mid-size businesses. Chalfin is quick to point out that while there are no single solutions, there are numerous steps entrepreneurs can take to cut costs during the current recession.

"Think through the ongoing monthly expenses," says Chalfin. "You could have a service contract you don't need or can be reduced. You might have insured your computer equipment years ago when a PC cost \$4,000 or sold some of the property that you continue to cover."

Chalfin recommends reviewing your property and casualty insurance policies annually. Is your business properly classified? Your business may have changed its focus since you purchased the original policy" Invite, and insist, that your agent visits and tours the premises once a year," he says. "Review your policies. Consider your deductibles and overall values. Do they represent today's prices? Do you need business interruption insurance?"

Some other expense-saving strategies, according to Chalfin, include the following:

- **Consider the utility of all employees as well as overtime payments.** As a result of the slowdown in business certain positions and overtime payments may no longer be necessary or even needed.
- **Review your health plan.** "Do a little homework. Obtain competing bids every year, and don't tell the insurance companies what you currently pay. Look at your deductibles. You may want to increase them. It may be worth it."
- **Ask for rent abatement.** "If you lease your premises, ask your landlord about a rental abatement. Ask for some free months if you extend your lease." Also consider if you can sublet any of your space or eliminate unneeded facilities when you renew your leases. "If you are responsible for common area charges these items may have declined. Inquire about these items as your lease may allow you to audit the landlord's expenses."

Chalfin is author of [Selling Your IT Business: Valuation, Finding the Right Buyer, and Negotiating the Deal](#) (Wiley & Sons, Inc.)

For more information on cash flow management, see OPEN Forum's "[Managing Cash Flow through Trade Terms](#)."

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1. **ROBERT BRADY | JULY 1ST, 2009 AT 8:29 AM**

Working in the SEO industry I have seen quite a few companies cut their internet marketing budgets because it seems painless. After all, our rankings didn't go down the day after cutting our SEO agency. While this may seem painless now, as the economy starts to rebound you'll notice your competitors outrank you now (they kept up their SEO efforts or may have even increased them) and it will take you weeks or months to get your rankings back. SEO is an investment that grows over time, so think twice before pulling the plug.
