

DECISION-MAKING FOR YOUR SMALL BUSINESS

Focus on the choices that matter the most.



EVERY DAY, WE MAKE COUNTLESS DECISIONS. Some are fairly trivial, such as what colour shirt to wear or what to have for lunch. Others have much bigger consequences. If you're a business owner, these may include how to manage your cash flow, how to protect your company with insurance, and how to choose the right benefits plan to attract and retain the best employees.

If you have ever struggled to make an important decision, you are not alone. Researchers have found that each of us has limited decision-making resources, with "decision fatigue" setting in as the day wears on.¹ As the hours roll by and the day's decisions pile up, our tired brains start looking for the easy way out. Sometimes that means postponing decisions. Other times that could mean making decisions recklessly just to get them over with.

One way to manage decision fatigue is to eliminate certain choices. Two of the world's most successful entrepreneurs simplified their wardrobe decisions by wearing the same thing every day: Steve Jobs was famous for his black turtlenecks, and Mark Zuckerberg favours grey T-shirts.² Another strategy is to devote time to important decisions earlier in the day, before an onslaught of minor choices makes it harder to come to the best conclusion. It may help to schedule an hour every morning to consider some of the big choices you need to make for your business.

¹www.nytimes.com/2011/08/21/magazine/do-you-suffer-from-decision-fatigue.html ²www.businessinsider.com/barack-obama-mark-zuckerberg-wear-the-same-outfit-2015-4

Identify your make-or-break decisions

Decisions related to cash flow are high on any business owner's priority list. A recent survey found that 59 per cent of small business owners are concerned about cash flow, and 20 per cent are seriously concerned. Yet almost two-fifths of the respondents (38 per cent) were wrestling with cash flow issues on their own, without guidance from an external advisor.³ One of the biggest advantages an advisor can bring to the table is the ability to help with decision-making regarding cash flow management. For example, an advisor can put together an optimal mix of bank accounts and lines of credit to maximize short-term returns and cushion the business from cash flow crunches.

Another important decision-making area for business owners relates to risk management. A clear risk management goal – say, building a diversified customer base or diversified revenue streams – can help you make strategic business planning decisions that move you in the right direction. When it comes to insurance, delays in decision-making can increase your exposure to risk. It's wise for business owners to make it a top priority to research and then finalize policies, from general liability and business interruption insurance for the business to critical illness, disability and key person insurance for owners.

There's another area of risk management-related decision-making that isn't always top of mind for most business owners – but should be. If you have employees, you understand how much your business relies on their productivity and loyalty, and you're probably aware of how much turnover costs. Yet the small business research cited above revealed that just 17 per cent of business owners consider group health benefits and retirement savings plans to be a strategy to reduce risk.⁴ Even a simple, entry-level benefits plan can do wonders for retaining and attracting employees. And since these plans are tailored

FIVE RESOURCES TO SUPPORT YOUR DECISION-MAKING

www.smartbusinessmove.ca

www.canadabusiness.ca

www.ic.gc.ca

www.bdc.ca

www.thelaunchplan.ca

for small businesses, the complex decisions have already been made for you – you simply have to decide yes or no.

Seize opportunities by making decisions guided by good advice

Postponing important financial decisions may mean missing out on opportunities to grow, develop and protect your business. So if you've been mulling without deciding, consider what you need to move forward. Ask yourself:

- Am I considering all of the available options?
- Do I know enough about each one to make an informed choice?
- Can my advisor, peers, employees or an advisory board offer valuable input?
- What barriers are standing in the way?
- Can I break down the decision into smaller pieces?
- Would it help to set a deadline?

Small business owners are busy, so anything that can streamline the decision-making process and make it more effective and efficient helps. One important resource you have available is your advisor, who can provide clarity, give you a big-picture perspective and guide you towards decisions that benefit your company in the short and long term. ■

³www.smallbizresearch.ca/wp-content/uploads/2015/09/MSBR_Report_2015_ENG-11_Approved.pdf