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Small Business Bulletin

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Vendor Management Tips

Small businesses often don't have the resources or expertise required to conduct every necessary function. That's where vendors come in; they provide access to expertise, products and services that help a business run. Small businesses outsource routine tasks to vendors, such as routine facility cleanings, deliveries, payroll management, IT support and accounting. Establishing practices for managing vendors is important for small businesses' overall success and long-term growth, but vendor management comes with its own challenges. Luckily, there are strategies small businesses can implement to manage their vendor relationships in order to optimize processes efficiently.

What Is Vendor Management?

The purpose of vendor management is to build, maintain and strengthen relationships that are essential to an organization's success. Therefore, it is important to note that regardless of your small business's vendor management practices, they require business discipline and coordination from different areas, such as HR, finance and leadership. The key elements of successful vendor management include vendor selection, contract negotiations, onboarding, vendor performance monitoring, risk management and payment processes.

Vendor Management Challenges

Despite the benefits to vendor management, there are challenges to consider as well. The most common vendor management challenges small businesses face include:

- Compliance risks
- Payment terms
- Data storage and security
- Reputation management

Vendor Management Best Practices

To avoid risks, it's important to develop practices for your small business to follow when working with vendors. Consider these best practices:

- **Review contracts.** It's important to write formal documentation while working with vendors. This keeps both the small business and the vendor on the same page and accountable for any communication or financial transactions.
- **Communicate regularly.** Respond to vendor communications quickly and address any issues in a timely manner. The more effective the communication lines are, the better the experience will be for both parties.
- **Be selective.** Every time a small business chooses to outsource, it has to navigate the risk of doing so. Therefore, it's beneficial to avoid high-risk collaborations, such as those with vendors who process financial transactions on the organization's behalf.
- **Establish expectations.** Small businesses and their vendors need to be in constant communication. Expectations can be built into the terms of the contract and mutually agreed upon before the partnership is finalized.
- **Control costs.** Before committing to working with a vendor, verify that the vendor's pricing does not exceed your organization's budget. All details pertaining to pricing, such as payment methods, billing frequency and rates, should be laid out in advance in the agreement between the vendor and the small business.

Conclusion

Working with vendors can be challenging, as there are a variety of moving parts for both the small business and the vendor. The way each business chooses to navigate working with vendors is unique, so what may work for one business may not be the best for another. However, by creating processes for your small business to follow when working with vendors, you can mitigate the risks you could face and establish a strong, successful vendor relationship. For additional small business resources, reach out today.

5 Small Business Tips to Prepare for Economic Uncertainty

There's growing anxiety about the U.S. economy due to discussions of a recession, tariffs and fluctuating financial markets. While economic uncertainties impact organizations of all sizes, small businesses often have limited resources and face unique challenges. As a result, small businesses often must make difficult financial decisions to avoid crises. That's why small businesses must consider how best to prepare for uncertain financial times.

There is a 60% probability of a recession occurring in 2025, according to J.P. Morgan Research.

Preparing for Economic Uncertainty

While the future state of the economy is unknown, planning ahead can help small businesses prepare for a range of potential outcomes. The following five tips can help small businesses prepare for and manage economic uncertainty:

1. **Reevaluate compensation strategies.** Finding ways to reduce or eliminate unnecessary costs while still retaining employees will be vital as small businesses prepare for a possible recession. Cost-reducing measures may include reevaluating employee compensation and benefits strategies. These savings can help organizations establish a cash reserve to weather financial storms.
2. **Prioritize employee retention.** Prioritizing employee retention can help small businesses save money since the costs of recruiting and training new employees are incredibly high.
3. **Assess organizational talent.** Organizations must ensure they have the right staff by identifying and retaining key employees. These employees can help small employers drive

business, maintain focus and reach their goals even during periods of financial difficulty.

Organizations may also review staffing at a broad level. Some small businesses have found that rather than layoffs, alternative options such as hiring freezes, furloughs or temporary pauses on compensation increases may allow the organization more flexibility to navigate changing markets.

4. **Establish communication channels.** Conducting an internal communication audit allows organizations to assess how their various communication channels are performing. This can help employers identify effective and engaging channels—such as emails, newsletters, surveys, videos and video conferences—so they'll be prepared to relay timely and essential information.
5. **Automate internal processes.** Automation simplifies operations by automatically completing tasks that employees would have to do manually. Eliminating manual tasks allows employees to focus on more important work that can directly impact an organization financially, which can be critical to a small business's success during a recession. Adopting and implementing new technologies also helps employers operate more efficiently, lower costs and reduce risk by performing time-consuming and error-prone tasks faster and more accurately than employees.

Conclusion

Economic uncertainty can significantly impact small businesses. Fortunately, these employers can use proper preparations and strategies to minimize the financial hardships of an economic downturn.

Reach out today for more resources.