

Rebuilding your Business

As restrictions ease, organisations are now starting to shift focus from activities that were required to ensure immediate business continuity and shock resilience to those centred on rebuilding and growth.

While the short-term outlook for businesses in the private, mid-market and family business sector varies greatly by industry, it's important to consider what rebuilding and reshaping will look like once the economy begins to return to a state of normalcy or establishes a new normal. Putting a strategy in place for this phase and beyond will help prepare you and your business to take advantage of opportunities in this rebuild phase.

This framework can be used to assess your business across priority areas

This tool is segmented into the areas of your business that are likely to have been critically impacted by COVID-19 and which may be a priority for recovery planning. The tool will step through assessment criteria and questions to help you kickstart planning and activating your recovery. It applies a language style that a small business can use with its people to create ownership of tasks and acceptance that navigating COVID response will require effort from everyone in a business.

Across each of the six areas, where can you **Reflect**, **Restart** and **Revitalise**?



Assess the Current Business Position

The first step in developing a rebuilding plan is to determine just how deeply your business has been impacted to date from the impacts of the crisis – but to understand this, businesses need to look beyond the financial numbers.

While comparing your financial results to last year's numbers will allow you to see how much your business sales, profits and cash flow has been impacted, consider some of the other factors you may need to relook at. For example, if employees have been laid off, businesses need to account for that in the rebuilding plan. Customers lost due to their businesses failing or because they have migrated toward competitors, will also need to be accounted. And for bricks and mortar businesses, taking stock of existing inventory and how that stacks up with demands in the market is another factor to consider.

Optimise Your Costs

During the past three months, all businesses have had a focus on cutting costs, but to give your business the best chance of surviving, a renewed focus on costs will allow you to position your business for continued success.

Cost optimisation is more than just cost cutting and belt tightening, and short-term tactics alone will not lead to sustained business success. Typical reasons for increased pressure to rethink costs are financial distress, downward pressure on revenue or prices, changing consumer needs, intensifying competition, need to fund growth or strengthen the balance sheet, pressure from shareholders. Our experience working with private, mid-market and family businesses has shown that organisations that take a more holistic, strategic view will have a greater chance of success.

Understanding your business' cost drivers is critical to identifying the right cost opportunities and avoiding unnecessary negative impacts on your business, customers and staff.

A successful cost optimisation initiative starts with gathering current cost base and performing a spend analysis. This will help inform your needs and sets a baseline to measure and track success. Industry trends, benchmarking data and access to industry, or functional experts may help to improve the identification of the right cost opportunities.

Access to Capital

Most businesses in private and mid-market sectors don't usually have a large amount of cash on hand and it's likely that any cash reserves are already depleted. Hence, there is a good chance that businesses will need access to working capital to rebuild and reshape.

There are several options for business to seek access to capital during the rebuild period. Federal support programs designed to help small and medium businesses impacted by COVID-19 is an obvious place to start.

The challenge with federal programs is that the funding is limited – so it's important to consider other sources of small business funding, including:

- traditional small business loans
- small business term loans from banks, credit unions and online lenders
- merchant cash advances
- business lines of credit
- contemporary financing options - accounts receivable financing; inventory financing; purchase order financing; equipment financing
- business credit cards - (although we recommend these be used with caution and only for smaller spends, due to very high interest rates).

Getting Confidence Back in Your Workforce

The current crisis is first a humanitarian one, before anything else businesses should keep relentless focus on supporting employees through this.

The JobKeeper Program, for example, is a great way to retain your employees during the coronavirus pandemic, who are likely experiencing financial stress at this point. Understand that employee retention is an important part of any rebuilding strategy, as research shows a new employee takes at least three to four months before achieving the same productivity as an existing one, and costs of employee retrenchment and rehiring are substantial.

Have frequent and transparent conversations with your staff. Involve them in your planning processes as you map out future plans for rebuilding and reshaping the business. Truly engaged employees often offer the greatest ideas and involving them in the rebuilding stage will give them a sense of ownership in their roles and responsibilities.

A Digital First Workplace and Technology Enablers

This crisis has illustrated just how real disruption can be and has highlighted any gaps in operations and technical investments. It is now important for businesses to start thinking more strategically about technology and digital capabilities and investing in uplifting their technology capabilities as an imperative rather than a nice to have.

Leveraging the new digital working order to your advantage will require strategic thinking around where the best opportunities lie to deliver lasting business value, customer experience and employee satisfaction. Some low-cost benefits we consider SME businesses can get started on include:

- **Cloud** – as the preferred choice to provide a secure platform, accessible anywhere, anytime and remove dependency on physical data centres.
- **Anything-as-a-Service** – buying ‘as-a-service’ is not limited to software services, but extends to activities, processes and functions. Identify which parts of your organisation are critical to be operated internally, and which parts qualify to outsource or buy as-a-service. These decisions will provide focus for your investments in talent and innovation.
- **Rapid automation** – Small and medium businesses tend to rely on manual processes and tasks. Automating repeatable tasks can provide significant benefits to your organisation. It can also allow you to repurpose your workforce efforts to more valuable tasks – when done in conjunction with broader technology investment priorities
- **Secure digital workplace** – A digital workplace strategy, done right, can save significant costs in unnecessary real estate rentals, while boosting productivity. Businesses must re-evaluate parts of their business that can operate remotely. We see four lessons which underpin success in enabling a digital workplace – resilient networks and device interoperability, fit-for-purpose collaboration tools, right culture and support and security by design.

Business Model

Australian private, mid-market and family businesses will need to re-think their business model – there has been a huge shift across so many layers that re-casting the mould is a necessity. Businesses now need to pivot to adjust to a new normal.

Organisations will need to reshape their business models to respond to changing consumer needs. Consideration will need to be given to how each aspect of the organisation, from customer experience and sales to supply chain and back office, will need to seamlessly collaborate to address customer expectations in the future. Key areas to relook at in your operating model include:

- **Customer** – What lasting changes to customer expectations and behaviours will we see? How will you know your customers and engage with them differently in the future, and how will your brand respond accordingly? How will you optimise your future channels? What does the competitor landscape look like in the post COVID-19 environment?
- **Procurement and supply chain** – How do you reduce the risk in your supply chain? How do you optimise and automate supply chain processes, eliminating manual effort? How do you ensure visibility and management of your supply chain to reduce business risk?
- **Workforce** – How do you optimise your workforce for productivity? Which new skills will be required in your business in the post COVID-19 world? What is the optimum workforce mix - offsite vs. onsite? What parts of your workforce will need to be retrained as you invest in automation and adapt your business model?
- **New vs. Old Markets** – Consider the effectiveness of your operating model and if your products, channels and markets still make sense in the current, and potential future, environment. Some questions to consider are: should you divest from non-core markets? Which underperforming products or services should you rationalise? Which underperforming segments should you close?

Build a Plan and Track Progress

SME business leaders will find that doing everything at once may not be realistic when considering how to rebuild. Having a prioritised plan with your most important actions first can help give structure to this huge task.

A logical order of events might look like: securing funding, rethinking the operating model, launching a cost optimisation program and new supplier relationships. Set a timeline for hiring employees, restocking inventory, and, finally, reopening your doors if your small business is closed.

As you take necessary steps towards rebuilding your business, remember to track your progress. This is particularly important if you’ve secured capital to fund your business, because you don’t want to waste time on activities that aren’t delivering a solid return on your investment. Often getting external help to project manage such critical initiatives yields better results as an external party can quickly assess issues and raise these.

In Summary:

Assess the Current Business Position

- Look beyond the financial numbers
- Customer positions and continuity

Optimise your Core Business Costs

- Many SME's have inadequate working capital facilities in place
- Some special SME Loans for SME's are now available for good businesses

Access to Suitable Working Capital

- Take a strategic perspective
- Align the costs to the unique capabilities of the business

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