

Tips for Business in Uncertain Times

When the economy slows or there is some uncertainty in global markets, it's important for small businesses to take proactive steps to ensure they remain viable.

Reduce Your Reliance on External Debt

To reduce reliance on external finance, businesses should focus on increasing the productivity of existing assets and employees. Improving cash flow can also free up money to fund purchases or for investments without having to seek external finance or it can pay down debt.

These activities can help improve cash flow:

- *follow up on late and outstanding payments from your clients and customers*
- *prepare regular cash flow forecasts*
- *prioritise your marketing to focus on products and services that can be turned into cash quickly*
- *make full use of your suppliers' payment terms, but do not pay late*
- *reduce stock levels by replacing slow-moving or obsolete stock with high turnover stock*
- *sell any unnecessary assets*

Improve Productivity

Businesses must operate efficiently and effectively to be successful.

Here are some ways to improve productivity:

- *collect business performance data and compare it to previous performance, industry benchmarks and the strategic goals of your business*
- *identify key drivers of your business and set goals for these drivers*
- *regularly evaluate performance of key drivers against your goals and identify areas for improvement, risk and trends. Clear presentation, such as dashboard reporting, helps to understand this data*
- *implement strategies to monitor the effectiveness and adjust the strategy when necessary*

Review Cost Structures to Find Savings

If a business cannot bring costs under control or pass increased costs onto customers, then both cashflow and profitability are reduced. This can impact the future viability of your business.

Some ways to find savings include:

- *reviewing costs under your control. Do this strategically to ensure you don't need to reverse any cost-cutting measures in the future*
- *asking suppliers for discounts or changing how and when they deliver stock. One benefit of this could be a reduction in warehousing costs if suppliers can provide stock on consignment or supply on a just in time basis*
- *comparing your cost structures with other businesses in your industry and with past results to identify areas for improvement*

Adopt Appropriate Risk Management Strategies

Uncertain times expose your business to risks that could threaten its viability. Develop appropriate risk management strategies to address the following issues:

- *relying too heavily on a small number of large customers*
- *relying too heavily on one supplier*
- *relying too heavily on one type or source of finance*
- *selling on credit without appropriate checks and not following up late payments*
- *fraud.*

Review Your Business Plan

When business conditions change, it's good practice to revisit and amend your business plan and budgets so they reflect the current circumstances.

Some recommended actions include:

- *reviewing the assumptions underpinning your business plan and if they have changed then update your plan accordingly*
- *evaluating the performance of your business and incorporate strategies to improve it*
- *reflecting your amended business plan in budgets and forecasts*

Even during economic uncertainty, opportunities will emerge for your business to grow. If these opportunities are consistent with your strategy and can be properly funded, then you should investigate them fully. You may also need to create opportunities, such as seeking out new markets or clients.

To help you manage through uncertainty and position your business for growth, you recommend seeking professional advice from your accountant.

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