

# BusinessPlus+ Newsletter



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## Issue – September 2022

### Resilience - Building Robust and Healthy Businesses (Part 1)

*“The concept of resilience is often linked with notion of sustainability, which refers to the ability to continue forward and maintain equilibrium in the face of chronic adversity.” (Meichenbaum, 2011)*

All businesses face challenges during their life cycles. The latest major challenge, the COVID-19 pandemic, has disrupted economies and businesses across the globe. This crisis, including the emergence of numerous variants, has led to a necessity for reinvention and innovation.

Companies and individuals have had to rely on their inherent uniqueness and creativity to cope during this extended crisis at both business and personal levels. As small businesses dealt with the realities of the pandemic and the economic conditions it brought about, resilient companies took identifiable steps to remain viable and, in some cases, to thrive.

Although there is no standard “formula” for reinvention, company transformation starts with leadership. With a clear vision, leaders can guide their organisations in cultivating a people-centric, inclusive, and creative culture, where a company can achieve goals and profitability, even during economic disruption.



The Business Resilience Model – Source: IMA – Guide to Small Business Resilience

## Visionary Leadership

Visionary leaders possess a gritty, determined mindset. Additionally, visionary leaders are determined not to be derailed, even during times of disruption. They understand the importance of using technology, streamlining processes, and improving productivity.

## Business Focus

During the pandemic, many companies had to re-evaluate their market positions, offerings, and products to determine the best steps forward. COVID-19 served as an external shock, exposing areas for improvement, thereby presenting new growth opportunities.

The management team is responsible for establishing the flow of information through the organisation. Businesses, especially smaller ones, benefit from close and effective communication across the whole team.

One key aspect of success is raising the level of customers' trust in the business. Bain & Company said this could be achieved by increasing the number of customer interactions, proactively seeking customer feedback, and leveraging these insights to improve service. The pandemic allowed many companies to reconnect with their customer base. Bain recommends reaching customers through multiple channels of communication, developing deliberate marketing efforts, and investing in enhancing customer experiences within the company.

As leaders develop and implement strategic management systems and processes, those in resilient SBEs often scan environmental factors and analyse market trends.

## People-Centric Culture

One source of competitive advantage is positive organisational culture, which others cannot easily replicate.

A people-centric culture can give an SBE a competitive advantage over larger companies. Leaders within SBEs often have greater access to employees and more frequent interaction with teams than leaders in larger enterprises. Resilient SBEs fostered a people-centric culture during the pandemic by providing a supportive environment where employees can engage in a learning culture and creativity is encouraged.

The number-one concern of resilient companies is getting and retaining good employees. Resilient SBEs promoted a "family" environment with everyone contributing to ensuring the company remained viable. The visionary leaders supported not only the employees, but also their families and surrounding communities.

McKinsey & Company reported that the hardest hit by the pandemic is Generation Z, including young adults ages 18 to 24 years old. 4 New and younger staff members did not have opportunities to assimilate into the firm culture, often feeling isolated.



## Resilience Indicators Explained

The core platforms required to build a robust, healthy and decisive (resilient) business shown in the diagram above are:

**Leveraging Knowledge:** Critical business knowledge is stored in a number of formats and locations so staff has ready access to expert opinions when required. Roles are shared and staff trained so that someone can always be available to cover key positions.

**Breaking Silos:** A high level of effective communication and collaboration within and between teams is required within the business. This then enables more effective innovation, shared understanding and a common purpose in the organisation as a whole.

**Unity of Purpose:** This requires an organisation awareness of what the priorities are for the business. These priorities – aligned to the core business purpose – need to be clearly defined and shared with the team, so there is strong accountability by all to that objective, in normal or crisis operational times.

**Planning Strategies:** Requires the development and implementation of plans and strategies; this is to manage key possible vulnerabilities in the business environment. Ideally these vulnerabilities should be identified by undertaking regular scenario planning in the business.

Now to elaborate on the requirements to be in place for the other resilience indicators shown in the diagram (above) to be effective for a business:

**Leadership:** This requires strong crisis leadership to provide good management and decision making during times of crisis, together with continuous evaluation of strategies and plans against organisational goals.

**Staff Engagement:** It is critical there are engaged staff - who understand the link between their own work and the organisation's purpose and the requirements for long-term success, in a changing business operating environment.

**Situational Awareness:** Staff must be encouraged to be vigilant about the organisational performance and any problems. They are rewarded for reporting good and bad news about the operational aspects of the business, including any early warning indicators to management.

**Decision Making:** Employees have the appropriate authority to make decisions related to their work role and that authority is clearly delegated to enable an effective crisis response. Highly skilled employees can make decisions where their specific knowledge adds significant value or where their involvement will assist with timely implementation.

**Innovation and Creativity:** Staff are encouraged and rewarded for using their knowledge in novel ways to solve new and existing problems and for adopting creative approaches to developing effective solutions.

**Effective Partnerships:** Having a clear understanding of the relationships and resources the business may need to access from other organisations during a crisis.

**Proactive Posture:** This requires strategic and behavioural readiness in place, to respond to early warning signals of changes in the internal and external operating environment, before they escalate to a full crisis situation.

**Internal Resources:** This requires the management and mobilisation of business resources, to ensure its ability to operate in normal times - as well as being able to adapt to provide the appropriate additional resources required in times of crisis.

**Stress Testing Plans:** Requires the participation of staff in simulations or scenarios designed to practice response arrangements and validate plans are effective. Sometimes this will result in a business continuity plan being produced.

*"Resilience has been characterised as the ability to 'bounce back' from adversities, [to] 'bend but not break'..."*  
(Meichenbaum, 2011)

### What works? Resilience in organisations



Fundamentally, business resilience can be developed and fostered by:

- **Awareness** of the key business operational risks being identified in advance;
- **Adaptable** work practices to meet the demands of significantly changed circumstances in the business environment;
- **Adopting** timely helping, coping and thinking approaches for the changed business position;
- **Actively** looking after the business and staff collectively, in effective ways in a crisis period.

#### Build an Adaptive and Resilient Mindset

To do this, companies need to use a range of information and tools to gain insight into their current operations, performance and market environment and plan for different future environments.

Business owners should regularly stress test for multiple event scenarios simultaneously. These can include both internal issues, for example a new product that fails in the market or a badly perceived leadership statement that goes viral on social media and causes major reputational harm to the company.

Then executives can make changes to be able to survive various scenarios, including reallocating capital to shore up core areas, divesting assets that are likely to face disruption, and making sure the organizational structure can respond to an immediate threat. This includes an examination of the entire supply chain and considering whether outsourcing manufacturing (rather than owning it in-house) can help make a company more nimble without diminishing its reputation for quality.

Business owners also need to make sure they have the right managers in place, with the right skill sets for all situations. An organisation may have the best managers for a growth scenario, but they may not be nimble enough in a crisis situation. Owners should regularly evaluate whether the management team has the essential skills for all situations. They can then identify who should take the lead in different scenarios, such as crisis management or operational restructuring.

#### Create a Transformation Platform

To give companies the time, space and capital capacity to plan and reshape the organisation, they need to develop a platform to demonstrate their ability to be agile and decisive. To be effective, this needs to happen before a crisis occurs.

One key step in creating this platform is to understand the needs of all of a company's stakeholders. Key stakeholders include shareholders, major customers, bankers/financiers, key suppliers, and employees. Consider how each will respond to the types of event-driven situation you believe the company may face. Examine who has the economic, commercial and contractual

leverage, if you need to present proposals to re-calibrate, reschedule or change financial terms. Understand the business pressures they are under and how that may affect any future negotiations.

Communicate regularly and strategically with all stakeholders to build trust and transparency. Make sure that they clearly understand the long-term strategic view. And listen closely to what they have to tell you, too, in order to foster a sense of partnership. Employees may have a front-line sense of how your products can perform. Financial stakeholders may have a broader understanding of the competitive landscape.

### Creating a Resilient Business Model

Business operators should look at a number of areas and consider the right changes to ensure an agile future, based on the analysis they have conducted and the alignment to the company's overarching values.

**Finance:** Is the company sustainably financed to master the daily business as well as a transformation? Does it have flexibility for the unexpected?

**Operations:** Is the operations backbone of the company robust, or does it need realignment? Does the supply chain need to be transformed to allow more sourcing flexibility in the wake of trade disruptions or to react more quickly to customer needs? Does the company have the workforce with the right skills to adapt to the future?

**Costs:** How does the company's cost base benchmark against its competitor set? Is there scope to reduce costs or increase flexibility by switching fixed cost to variable cost?

**Market strategy:** Does the company have the right geographic footprint to reach consumers? Are there areas for expansion or, conversely, non-core markets to exit? Does it need to expand into new channels, such as enhancing its digital sales presence? Do products and pricing align with customer needs? Are there opportunities for short- or long-term revenue enhancement?

**Innovation:** Are digital operations both state-of-the-art and flexible enough to quickly adapt to new market realities? Is the company forming close connections with customers, such as employing a strong social media strategy that listens to and responds to customers?

**Cash flow:** How does the company perform against its peer group in converting profit to cash? Can the working capital cycle be improved through managing receivables, payables and inventory? Does the company have appropriate visibility on short- to medium-term cash needs?

### Effective Transformation Implementation

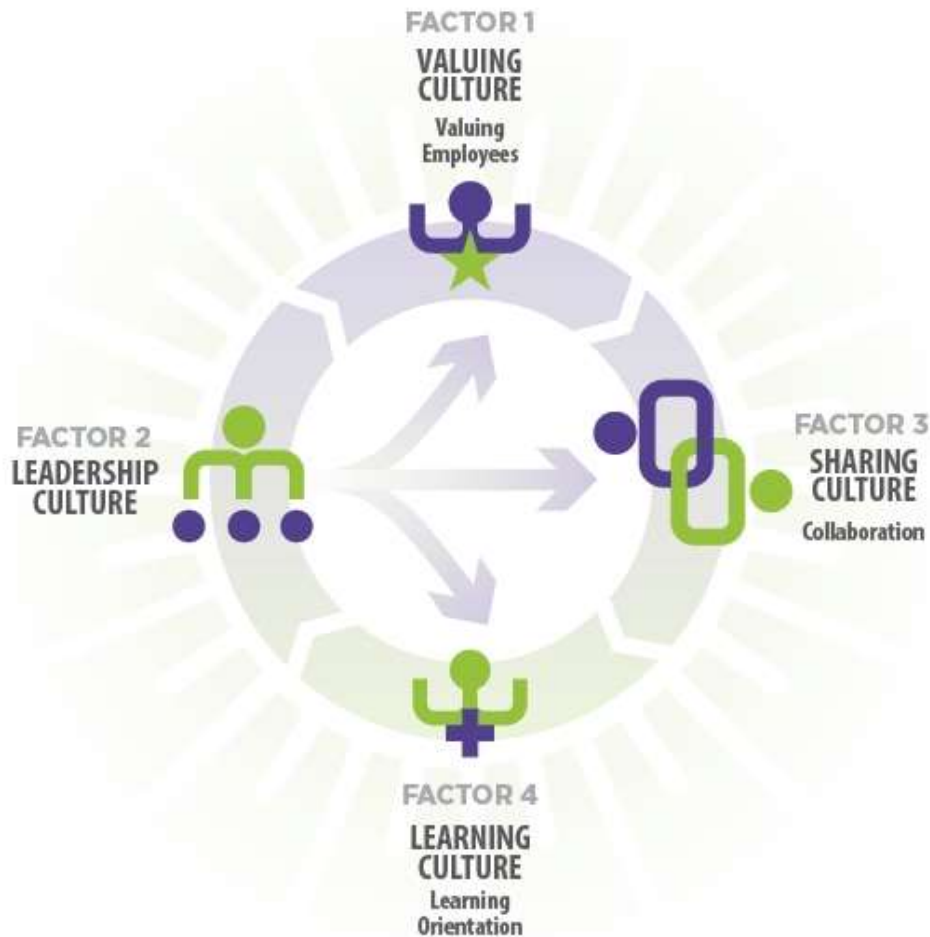
Reshaping the strategy and developing plans to deal with disruptive events can be a futile exercise if it is followed by weak execution.

History is littered with examples of very high performing businesses, which became poor performers or failed because they did not respond to the disruptive event with sufficient courage, speed and determination. Often delay results in viable options closing because of the loss of stakeholder and market confidence, or because mild underperformance becomes more acute and, for example, creates a cash crisis.

### Building Adaptive Resilience

Recent research undertaken by a New Zealand consulting organisation – Resilient Organisations Ltd - resulted in them identifying four critical cultural factors that influence business adaptive resilience:

- The extent to which the business *values its employees*;
- The type(s) of *effective leadership* in the business;
- The extent of *collaboration* through internal and external business networks;
- The extent to which *learning and innovation* occurs and is supported in the business.



Source: Resilient Organisations Ltd - New Zealand

## Conclusion

There are many important lessons arising from reviewing the topic of improving business resilience (in our two part series), which all business owners and operators should want to embrace in this rapidly changing world, seemingly fraught by many factors outside of any business's control.

Leaders are struggling with how to build and maintain organisations that are resilient to anticipated and unanticipated threats. The focus must now be on how to operate businesses that thrive and develop, not just in spite of stress but because of operational stress, due to a disruptive world. Hence you now must operate a resilient and adaptable business to survive and grow.

It is no longer possible to fully plan and prepare for everything; hence the move to resilience, which involves embracing capabilities that equip organisations to survive and thrive in unpredictable environments. The resilience approach centres on developing attributes that make businesses flexible and agile, so they can effectively deal with unanticipated events. Adaptive resilience involves building the capabilities needed during a crisis, allowing an organisation to adapt to a situation that is beyond its experience.

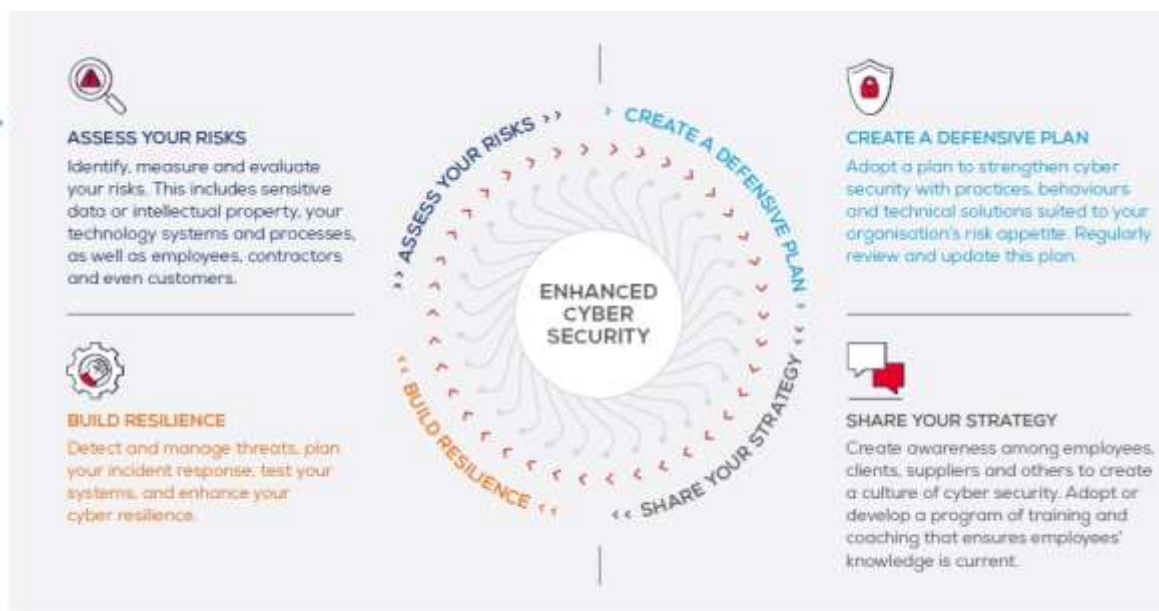
For a copy of the paper "***Building Adaptive Resilience***" produced by Resilient Organisations Ltd NZ, please click on the link [HERE](#).

To obtain a handy self-evaluation checklist – "***Evaluate your own Organisation's Resilience***" – produced by Resilient Organisations Ltd NZ, please click on the link [HERE](#).

If you want a copy of "***Becoming Agile – A guide to building Adaptive Resilience***", please click on the link [HERE](#).



A useful tool has been published by the Institute of Chartered Accountants Australia and New Zealand, providing practical advice and implementation steps for every SME. This topic has become more important than ever for business today, with constant attacks occurring that can financially cripple and/or destroy otherwise good businesses, if strong cyber protection protocols and procedures are not in place.



©9 Gartner, March 2022, Cyber security as a Business Decision 4 Manifesto

For a copy of the *“The Cyber Security Playbook for SME's”* - please click on the link [HERE](#).

To access the *“Cyber Security Checklist”* – please click on the link [HERE](#).

To obtain the *“Cyber Security Self-Assessment Checklist for SME's”* – please click on the link [HERE](#).

To get a copy of the *“Cyber Incident Response Checklist”* – please click on the link [HERE](#).

The *“Baseline Cyber Security Checklist”* is available [HERE](#).

## Business Essential Briefs: What is the Real Purpose of your Business?

Well at face value you would think your business purpose is obvious, wouldn't you? Perhaps something along these lines - *To make a sustainable and growing level of profit that meets and exceeds your lifestyle goals, whilst creating a valuable business; and this is achieved from operating a successful and vibrant company, with a highly engaged team of skilled people on-board, fully aligned to the core objectives of the business owners.* Sound about right?

The subject of business purpose is constantly being referred to in business publications and commentary today. Let's explore some of that commentary, to glean some of the best ideas that may be suitable for SME business owners to consider.

### Where Purpose Affects Your Organization

Purpose can have an impact on four business agendas. To determine what that is, ask yourself these questions.

#### DEMAND GENERATION

How can purpose increase consumers' preference for our products and services?

#### EMPLOYEE ENGAGEMENT

How can purpose strengthen the connection that employees feel to the work and to one another?

#### GOVERNANCE & SUSTAINABILITY

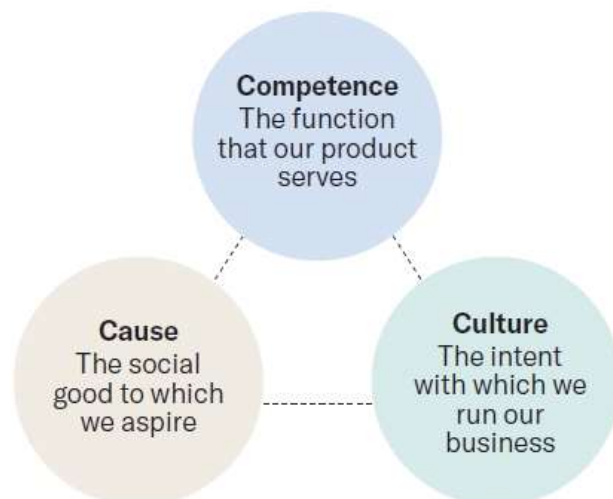
How can purpose help reinforce our reputation as a good corporate citizen and a strong ESG performer?

#### STRATEGY & BUSINESS VALUATION

How can purpose enhance our opportunities for profitable growth and reduce business risk?

### The Three Senses of Purpose

Despite its elevation in corporate life, purpose remains a confusing subject of sharply polarized debate. A primary reason is that it can be understood in three distinct ways.



**For an individual business, determining its real purpose is fundamentally a business decision that must be anchored to and in its core strategy.**

**The answer usually sits at the intersection of four core business factors:**

- For marketing & sales: It can assist with gaining quality customers and enhance their loyalty;
- For HR, it could attract, engage and retain good employees for the business;
- For governance and sustainability it might enhance environmental, societal and governance performance where this is particularly relevant for your business;
- For strategy and finance it could guide how resources are allocated and risks are managed in the business.



Culture based purpose statements are perhaps the best option for businesses that provide products and services, but don't make any significant contribution to positive social change per se. By defining your purpose as embedded in culture – i.e., operating in a thoughtful, disciplined and ethical manner – can be both pragmatic and authentic.

Companies that cannot credibly claim to produce external benefits or to promote a social cause, should accept that satisfying the functional and emotional needs of their customers can be a sufficient foundation for the particular business. In other words, you must be authentic and absolutely clear on what it is, that supports you being a “purpose driven” company. It must be relevant.

For family businesses the notion of purpose may be a little different to other SME's because they must consider the business, the family and the owners and other stakeholders.

One definition of purpose in family businesses has been expressed as follows:

***“Family purpose is a long-term goal that families share across generations and that becomes meaningful to younger generations of family members, as they form their own plans to accomplish acts of consequence to the world beyond themselves”.***

There are five key dimensions of this definition for a family business:

1. The pursuit of collective, family purpose represents a long-term intention. Although a family's purpose is likely to evolve over time, it manifests as a thread of consistent focus and vision that extends across time and generations.
2. A family purpose is meaningful to members of the family. It matters to them. Rather than merely talking about it, family purpose is so important to family members that they actively engage in making progress toward it.
3. A family's purpose is reflected in the family's history, present activities, and future plans. The family's purpose is consistent with the family's actions over time.
4. A family purpose is oriented toward a cause beyond the family. Families may use their shared businesses as vehicles for purpose or they may use the proceeds from their businesses to support causes they value. In both cases, the target of the family's intention resides beyond the family.
5. A family purpose is shared by members of the extended family. This does not mean that every family member actively supports the purpose—in large families with more than 100 or even 1,000 members, this would be unlikely—but it does mean that most family members recognize the aim as a significant and meaningful vision for the family.

## **Business Essential Briefs: Digital Transformation**

There are four core platforms of digital transformation and we will review them in this brief.

### **Process Transformation**

As it implies, process transformation centres on improving the steps required to achieve a specific goal in a business process. If the route from A to B has too many unnecessary steps, duplicates functions or takes too long, your business is losing time and money. If it's customer-facing, you're in bigger trouble.

Successful businesses are constantly reviewing processes and looking at ways to make processes more efficient anyway. Digital Transformation can help get you there quicker and easier (in the form of processes, this usually refers to automating back-office functions).

It can be nothing short of revolutionary. Just consider how cloud-based accounting software (Xero etcetera) has streamlined SME finance departments or, at its simplest, how website chatbots act as the first port of call for customers. When did you last ring a landline to book your next dental appointment or take your car in for a WOF? Process transformation basically frees up your team to get on with other things, so the value is obvious.

## Business Model Transformation

We all know the classic example here. It was Netflix that had the vision and the agility to switch from mailing DVDs to online streaming. Rivals Blockbuster failed to make the transition, and the rest is history. In start-ups, you might call it “pivoting”, but it’s a little more involved than that because it involves making fundamental changes to business operations.

SMEs tend to be more fluid than large corporations. They can respond quickly to market opportunities and commercialising innovation through new business models, so looking at digital transformation is a wise move.

The beauty of using Digital Transformation (“DT”) to improve, enhance or revolutionise your business model is that it works on the multi-level. Yes, you create a “better” business model, but giving customers something different, or the very same, but in a “new” way, tells your audience that you’re reacting to their needs; ecommerce loves DT for this very reason. It helps them quickly identify changes in customer behaviours, spending patterns, product choices and more.

## Domain Transformation

Domain transformations occur when one business is able to slide into another area successfully. Amazon, for example, added its own streaming platform (Amazon Prime), as well as Amazon Web Services (AWS).’ Demand Jump

In short, it’s a product extension of your current offering and is often overlooked. Yet domain transformation currently offers one of the most significant opportunities for company growth.

Again, this isn’t so much about pivoting but taking advantage of your presence in your industry or market, and piggybacking off that. For the SME, this might be an agriculture parts retailer, who opens a rental service to supplement its sales lines.

## Cultural and Organisational Transformation

Organisational transformation involves changing every employee’s mindset, attitude and behaviour (at both ownership and ground levels) so that they are open to digital transformation. The benefits are that it de-centralises decision-making and develops new methods of collaboration so that technology is truly aligned and embedded in the company to help it to achieve its goals.

With an understandable focus on products, services and processes, it’s easy to underestimate digital transformation’s value in creating a “digital-first” people and organisational culture and the effect it can have in redefining an organisation.

This kind of transformation's success is easier if a strong company culture already exists. Businesses that work flexibly, experiment, innovate and encourage input from the very top and the bottom of the business will benefit from DT.

Consider how since 2020 we have shifted the mechanics around how we work, where we work, how we communicate, even how we store confidential company information. Digital technology has been the driver behind every Teams chat and Zoom meeting.

To get a copy of the Icehouse Insight – “*Digital Transformation for SME’s – Revised Edition*” click on the link [HERE](#).

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