

### Business Planning Tips in Times of Uncertainty

#### Economic Overview

Australia key indices December		
	2021	2022
Economic growth	4.6%	*5.9%
RBA cash rate	0.1%	3.1%
Inflation (annual rate)	3.5%	^7.3%
Unemployment	4.2%	#3.45%
Consumer confidence	104.3	82.5

\*Year to September, ^September quarter # November

Sources: RBA, ABS, Westpac Melbourne Institute, Trading Economics

The Australian economy continues to be on a rollercoaster ride and there is little to suggest that calmer times lie ahead, but even in these tumultuous periods there are steps that leaders can take to future-proof their business strategies. As the country emerges from the impacts of the pandemic, inflation, supply chain disruptions, increasing energy bills, interest rates normalisation and the resulting cost of living impacts, many businesses are scrambling to bolster themselves against the ongoing threats that may affect them in 2023.

#### Key Challenges for 2023

In this turbulent business environment, many executives find the need to revise and adapt their strategies and operating models at a rapid pace. They know that capturing opportunity and avoiding disruption require speed. A 2022 global business survey found the top five risk factors to revenue growth were from:

- **Market** – Both customer and talent/labour disruptions have affected businesses;
- **Business/Operational Models** – Past models may be less relevant today and need to be reviewed;
- **Cyber/Information Management** – Risks have increased significantly in the past few years;
- **External Change** - The pace and extent of changes are constantly impacting the business environment now; and
- **Geopolitical Environment** – Be it war, supply chain disruptions, foreign currency fluctuations and political unrest - they are collectively adversely affecting business operations in Australia.

A December survey of Australian business leaders disclosed the top challenges for 2023 and the next 3 to 5 years, are as listed below:

**ALL RESPONDENTS**  
% say Top 5 Challenge for their organisation

**Top 5 Challenges in 2023**

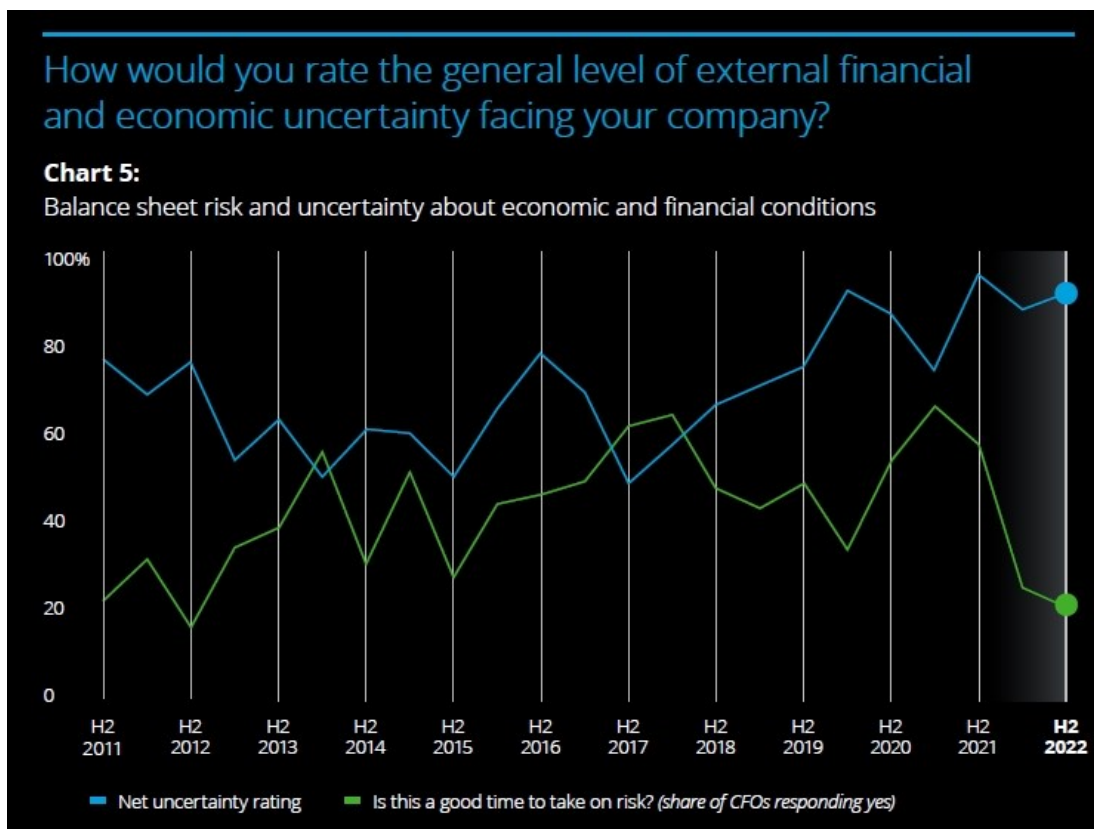
**Top 5 Challenges in 3 - 5yrs**

Talent acquisition, retention and re/upskilling to meet a more digitised future	77%	61%
Digital transformation & optimisation, and extracting organisational value from it	46%	43%
Dealing with cyber risks	40%	43%
Dealing with evolving regulatory processes, reporting changes & impacts	35%	35%
The need for greater agility and flexibility in your organisation to meet opportunities and challenges	35%	31%

Source: "What's Keeping Us Up at Night – The Big Issues facing Business Leaders in 2023" KPMG January 2023

The fourth challenge for the next 3 to 5 years, receiving a 40% ranking in the survey was, as shown in the full report – "Identifying and growing future market segments and/or innovation opportunities for growth".

**Preparing For Uncertain Times**

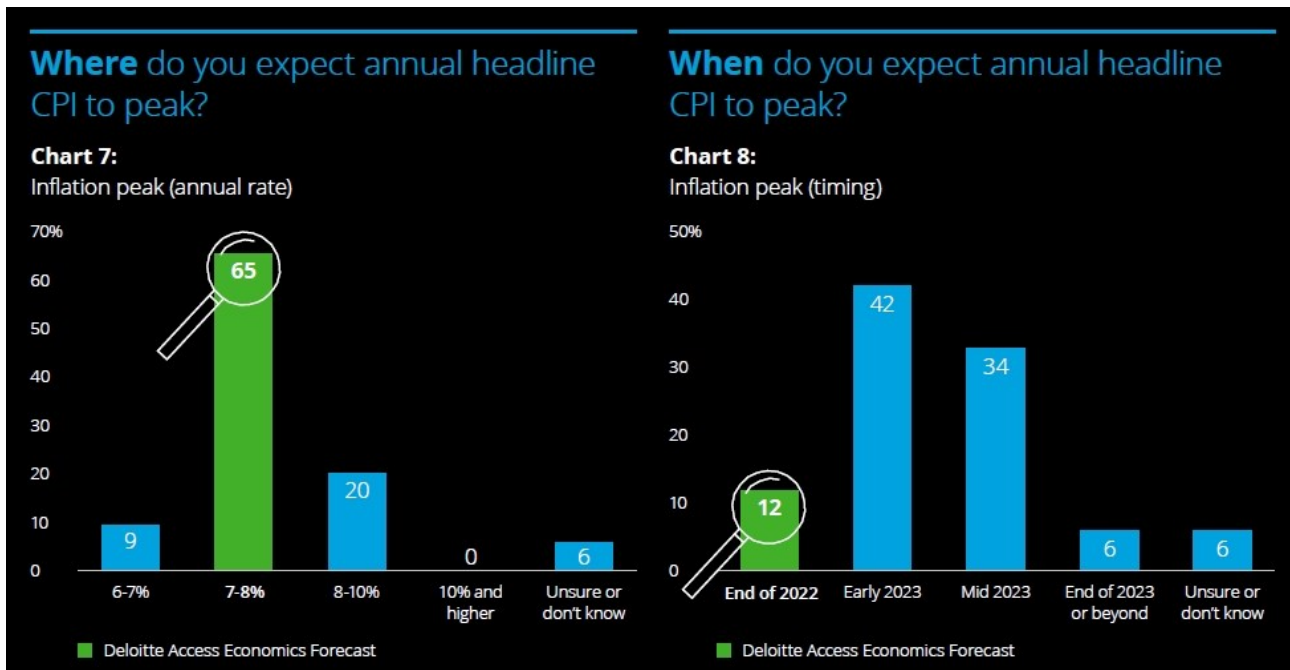


Source: "CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte

An often-overlooked truth about business planning is that it is not about attempting to create absolute certainty of outcomes. Instead, it is about identifying and defining a range of scenarios, evaluating the business impact, and designing potential responses. By doing this, it is possible to act quicker and build agility into a strategy and prepare, as best as possible, to ride the forthcoming waves and ensure goals continue to be met.

No matter what is happening in the economy and business landscape, plans are subject to change and must be designed to be able to flex as change happens. Planning is often not about providing certainty of the outcome, but about preparing to deal with challenges quickly as they arise. Setting a plan prepares us for action, helps to align our teams and resources, and gives us a mindset ready to take on challenges as they arise.

## Inflation Outlook



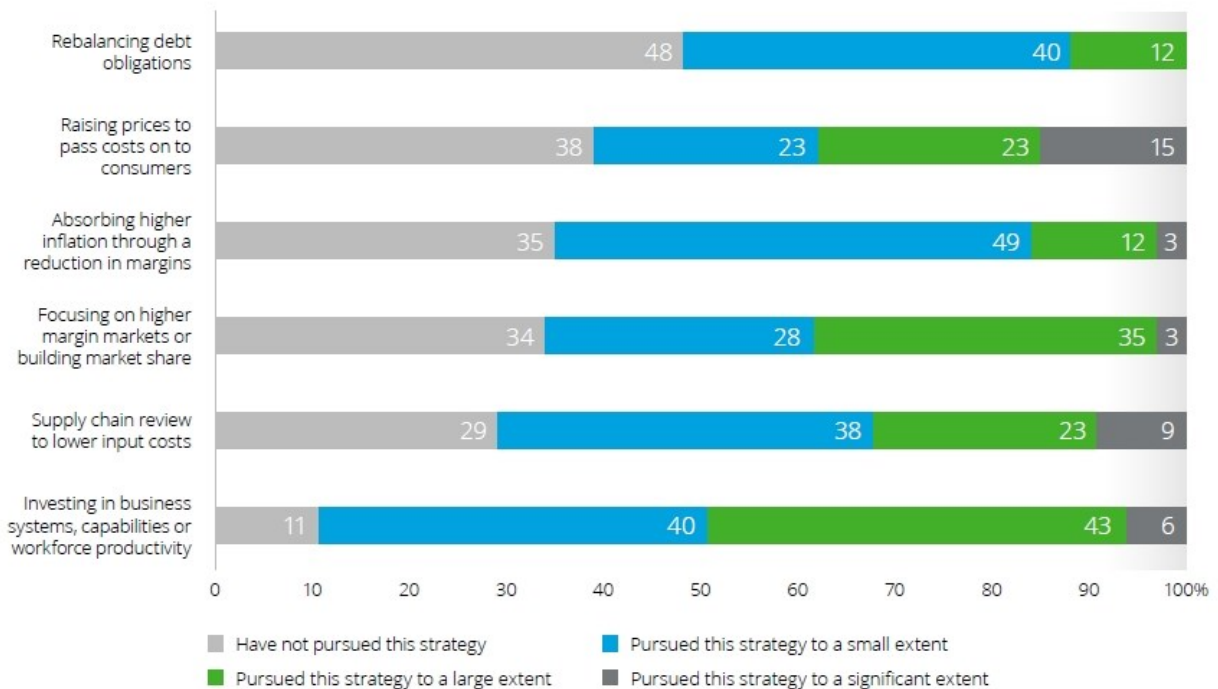
Source: "CFO Sentiment Report for Australia 2<sup>nd</sup> Half 2022" - Deloitte

## Strategies for Rising Business Costs

### What strategies has your organisation pursued in response to rising costs?

Chart 9:

Inflation strategies



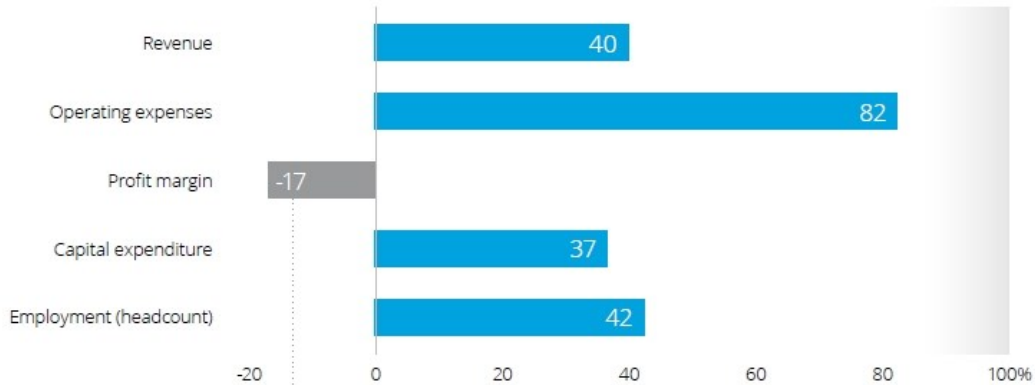
Source: "CFO Sentiment Report for Australia 2<sup>nd</sup> Half 2022" - Deloitte

## Business Performance Expectations 2023

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months? (Net Expectations: CFOs indicating an increase – CFOs indicating a decrease)

**Chart 10:**

Business performance expectations



A net 17% of CFOs surveyed believe that profit margins will decrease in the next 12 months.

**Source: "CFO Sentiment Report for Australia 2nd Half 2022" - Deloitte**

### Time To Dig-In or Grow?

In the current climate, a hesitant approach might seem understandable with so much uncertainty in the air. After all, going for too much growth in a period of instability could leave you overstretched with debts and additional costs.

Opportunity is often present alongside challenge, with customer needs presenting themselves more clearly which can be a great opportunity for growth. However, holding back can also hamper your firm's ability to keep investing in new products and talent, which could reduce competitive advantage or impact the overall quality of service delivery that customers have come to expect.

### Prepare For Uncertain Times

If we think of a business as a ship out at sea, heading for a destination and needing to ride any storms, then it is important to consider both the internal design of the ship and the impact of the external factors buffeting the ship.



Regarding the design, you could look at seven areas of a business (as shown in the diagram above) and compare to good or best practice for your industry:

- **People** – Do we have the right people in place to help us innovate, build the right products, improve customer satisfaction, and deliver against our projected financial targets? If not, what's really holding us back from finding the right talent?
- **Processes** – What processes, systems and protocols do we have in place to ensure we can deliver what our customers expect and need? Are our existing processes efficient, up to date with the latest technologies and optimised on a regular basis?
- **Purpose** – What's the defining purpose, vision, and mission for the business? How has that been translated into an actionable strategy that is clear to everyone in the business?
- **Profit** – Have you connected the dots between your purpose and the business goals for profit and performance? How do all three work together?
- **Performance** – What are our business goals and how are we tracking how key tactics and initiatives are performing to ensure we hit those business goals within the desired timeline?
- **Productivity** – How productive are your operational processes and teams?
- **Place** – What does the 'place' of work look like for us in this new era of hybrid and remote-first working?

By reviewing the seven aspects of the business lens in the context of your business operations, business leaders can gain a solid understanding of how they benchmark against competitors, identifying common challenges and sector specific traits.

A balanced approach to growth, spanning these seven areas, can help to both build resilience and increase the effectiveness of the entire business. Once you have explored all the internal considerations to be factored into your business plan, a thorough assessment of current external trends, threats and opportunities is vital.

There are perhaps four key long-term external megatrends which are shaping how we do business today. These include changing socio-demographics, sustainability and resource resilience, technological transformation and shifting global economics.

Megatrends help us to understand additional challenges that businesses face in the immediacy, such as rising inflation, a shortage of skills, and disruption to vital supply chains. They can also help in building a stronger long-term business strategy, forcing businesses to rethink what it is they do, identify new business opportunities and opportunities from emerging customer needs.

### Some Practical Tips for Uncertain Times

Are you ready for the challenges of uncertainty? Every business will have a unique set of circumstances going into 2023, and each business leader will need to set their own priorities when it comes to business planning.

To help you focus on what matters, we have listed the top considerations to keep in mind. There are seven key areas that businesses should consider when planning – **people, processes, purpose, profit, performance, productivity, and place**.

#### a) Consider A Range of Outcomes and Scenarios

It is remarkable how many business plans focus on a single set of outcomes, rather than weighing up alternative strategies and options. Many struggle to objectively look at external signals and data, which may suggest alternative plans are more suitable for the long-term. Positive confirmation bias means we can all often hold onto old strategies and products too long and miss new opportunities as they occur.

#### b) Stay Close to Your Customers

Despite most businesses claiming to have a strong focus on customer needs and experience, in reality that is not the case when the business is independently reviewed. The impact of the last few years has meant that many organisations have become inward looking. Many businesses need to revisit their operating model in the months ahead and it is more vital than ever to strengthen your customer relationships and interactions to provide a truly memorable and unique industry experience. Failure to keep close to customers could lead to businesses being displaced from supply chains, but in-depth understanding of customer needs could create significant opportunities.



### **c) Plan For Things Going Wrong**

Despite many businesses feeling proud of their ability to survive over the last few years, it is worrying that most businesses still report poor disaster recovery plans. Below average ratings for this area suggest that most businesses are relying on intuition to survive the many challenges lying ahead. One reason for this could be that the scale of uncertainty makes it hard to plan for a multitude of scenarios. A solution could be to set up a non-decision making “think tank” or “advisory board”, which is designed to think around possible events and provide insight to the board.

### **d) Remove Non-Profitable Activities**

Many businesses admit to reverting to pre-pandemic activities, in addition to resuming the changes brought in since. This can create a significant drain on productivity and leads to an inefficient allocation of resources and an excessive cost base. Objectively reviewing all business activities and ensuring they remain effective and relevant could help reduce the break-even point and boost profitability. One effective way of doing this is to rebuild business forecasts from scratch and assess whether each cost is necessary and adding value.

### **e) Effectively Monitor Business Performance**

Surprisingly, many businesses only have an average rating in relation to the effective tracking of business performance against meaningful targets. For most, key performance indicators (KPIs) remain focused on traditional measures rather than using additional data sources available to give advanced warning around issues and trends. Effectively planned data strategies can provide insights to support fast decision making and allow leaders to adapt quickly whilst building business resilience. Simple investment into better use of management reporting systems can help improve tracking of business segments, customers, and suppliers.

### **f) Refocus Your Business Strategy Around Purpose**

The rise of purpose-led cultures is gaining increased market traction, higher innovation, lower staff attrition and improved resilience. However, most businesses only get a poor to average rating when it comes to clarity of purpose and strategy; most businesses are missing out on these potential benefits. At a time when attraction and retention of staff is one of the biggest business challenges, this could be an easy step to differentiating yourself in a crowded marketplace.

### **g) Redesign Your Workspace to Drive Innovation and Productivity**

News headlines suggest we’re back in our offices. But are we? Data suggests the contrary, with footfall in cities showing a decline and many business leaders reporting challenges with workforce engagement and productivity. Double thinking has also led to people wanting to choose when and where they work, but then expressing frustration when other colleagues are not in when they are. It is not a simple conundrum, and mandating office time could trigger worsened staff attrition. A lot of businesses rate poorly for the effectiveness of physical and digital infrastructure, this remains a challenge which businesses have to resolve if they wish to compete for and retain top talent.

### **h) Build Resilience in Your Team**

Shortage of talent is being reported by most businesses, and this can quite easily lead to lack of resilience. Many businesses have a lack of contingency planning for the departure of key staff, with many teams excessively relying on one key person to deliver activities. It is important to invest in skills within your team, so that future talent can come through and support activities.

### **i) Benchmark Against Competitors**

The business landscape is making it harder and harder for firms to survive, which means it has never been so important to know exactly what you do best. Cautious spending habits among potential customers will mean that only the brands that communicate effectively and differentiate themselves from the general market will make an impact. Naturally, uncertainty also leads to competitors changing what they do, which could mean a change in market focus or the displacement of others in the supply chain.

## j) The Right Advisors for Your Business

The expertise you bring into your business is a long-term investment, strengthening your ability to ride out any storms that might lie ahead and helping you to prepare for better times. There is no shortage of financial guidance available to businesses in all sectors and securing a trusted partner at this stage can make all the difference in the year ahead, helping you to think differently about risks and challenges, and opening your eyes to opportunities.

### Additional Resources

If you would like to access the full business survey reports referred to in this article, please click on the links for:

The 14th edition of the CFO Sentiment Survey Report [HERE](#); and  
"What's Keeping Us Up at Night – The Big Issues facing Business Leaders in 2023" [HERE](#).

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