

SMEs need planning for post-GFC recovery

By James Solomons CA

ALMOST two years have passed since the 'official' end of the Global Financial Crisis (the GFC) however for many small and medium sized businesses (the SMEs) the effects of this downturn in the economy are only just starting to subside.

Big businesses, having the luxury of greater access to resources across the board have been able to move beyond this downturn and are operating back at relatively normal levels again; but what about the SMEs?

The drastic and often cut throat measures taken by many SME owners to survive the GFC, coupled with the banks reigning in business credit in its aftermath and the high level of economic instability has left many businesses seeing the opportunities starting to present themselves in this new period of economic growth but unable to seize them due to their lack of resources.

SMEs were forced to cut back staff numbers and review their operating expenditure to find areas where spending could be reduced. At the same time plans for capital outlays were quashed as existing assets were kept rather than being upgraded and now many of these assets are well past their use by dates.

But these measures to help ease cash flow constraints were somewhat undermined as many of the SMEs customers started stretching out their payment terms.

In addition not only were customers taking longer to pay, some were not paying at all! And to further compound the lack of cash inflows the drop in consumer spending meant that sales figures were simply just down overall.

Cash flow constraints during a general economic downturn are a struggle for any business, but during a downturn of the

magnitude of the GFC any business that had not planned properly in the good times for the bad were in for a real struggle.

For many years Australia experienced strong economic growth and it was easy for almost anyone to register an ABN and a business name and make a buck or two. But it was the smart SME owners that reinvested some of these profits into getting advice on how to plan for the future.

And that is the key to moving ahead in this post GFC business environment. Businesses need to plan for the future.

The businesses that diverted resources pre GFC to defining and implementing a strategic business plan and continued to allocate resources (even if on a reduced scale) to the planning and review process during the GFC to carefully monitor their position and make decisions as they were needed, are the SMEs well positioned to take advantage of the post GFC recovery opportunities.

However, for those businesses that either never allocated resources to planning pre GFC or cut out expenditure on this important process when the GFC hit, are the SMEs that face a tough future.

These are the businesses that would have also cut back on valuable resources or asset upgrades because they didn't have the plan in place to help them ride out the storm and their decisions would have all been reactive in nature. They now find themselves facing a slow and hard recovery.

But fortunately it is never too late to start planning for the future and below is how we have been helping our business clients to grow both pre and post GFC. This centres around four major steps.

The first step is to conduct a business health check. You need to take stock of exactly what position your business is in at this point in time. Without knowing where you are now, you can not effectively plan for where you want to go.

The next step is to plan for the future. You need to either develop your business plan (if you don't already have one) or revisit and redefine your existing business plan to set your current goals and objectives.

The third step is to assess what gaps exist in the business in terms of the resources required to help you achieve the goals as defined in your current business plan. And then start looking at how to fill these gaps.

From this point forward SME owners will be equipped with a "Business Game Plan" which at the very minimum sets out the steps needed to achieve their desired goals. But the process doesn't stop here.

Business plans then have to be implemented and monitored to ensure that the business remains on track to achieving its goals. This is the most challenging step as owners have to often follow through on tough decisions to make it happen.

Whilst the fourth step of implementation is the most challenging the most important steps are the second and third steps. The planning steps are where all the assessments are made of where the business is going and determining how it is going to get there.

This planning phase has to cover the following areas, linking what the desired outcome is with the inputs and resources required.

- Business strategy; have you got clear sales, marketing and growth objectives to take advantage of the opportunities that will arise as consumer confidence increases?

- Your service mix; do you have the right service mix in place to meet consumer demand or effectively challenge your competitors?

- Resources and reserves; do you have in place the right people and financial capabilities to implement a growth strategy?

- Business information systems; are your business systems in place to record, report and effectively use business and market intelligence?

SME owners will be more responsive and efficient when they have information at their fingertips and by feeding that information back into the business it will ensure that they make smarter decisions which are proactive rather than reactive and that is what helps SMEs to grow.

To summarise, it is all about being focused on sales and marketing strategies to lead the charge, but having a clear understanding of how the business is positioned to handle new business, implementing good measurement tools to provide visibility to management and ensuring that the strategy is appropriate for the business's capabilities.

SME owners are passionate about what they do but the key to succeeding in this post GFC business environment is for them to be objective when making decisions about their plans for the future.

Once the plans are made, then it is time for the passion to takeover and help seize the opportunities as they present themselves.

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