

Avoid the bunker-down mentality

By James Solomons CA

THE uncertain and challenging conditions that business owners currently find themselves in throws up the question of what is the best way to navigate through these tough times?’

In many cases business owners bunker down, close the hatch and take a month by month approach. But this isn't the most effective approach.

Obviously there needs to be immediate attention paid to critical areas to ensure short term survival but this needs to be coupled with mid range and long range thinking and planning to ensure that the business is still positioned well for the future.

Drawing on concepts covered in a previous article, the key to surviving the downturns is planning. Those owners that have an effective business plan would have the risk management policies listed to help them manage the tough times.

So the first step is to revisit your business plan. This is the plan covering the short, medium and long term goals and if for nothing else will help business owners to remain focused on achieving their desired goals.

From this detailed plan and its desired outcomes, a strategy for the tough times can easily be developed and put in place. This ensures that this new short term strategy remains in-tune with the larger and long term strategy.



Next, get the customer focus right. The focus on and delivery of goods and services to core customer's needs to remain effective to preserve cash inflows. Whilst at the same time the 'firing' of unprofitable and difficult customers can assist with easing cash flow constraints.

As well as the review of existing customers, sometimes a shift in market conditions can throw up new opportunities as other businesses fail. Business owners need to lookout for similar or complimentary markets that they could enter to generate new revenue streams.

Staffing levels are an obvious area where cutbacks can occur during tough times. But this needs to be carefully managed. If a business lets go of key staff

to save money, is the business effectively limiting its opportunities for growth come the eventual upturn in the market?

Another obvious area to review is suppliers. Are the best prices being obtained? Is the business able to take advantage of early repayment discounts? Is the business holding too much stock and effectively tying up cash?

The final expenditure area for review is general operating costs. Discretionary spending must be controlled and much like suppliers, time should be allocated to ensure that the best prices are being obtained and money isn't being wasted.

Moving away from focusing on cash flows, another important tool is to begin to or continue to communicate. Communicate

to staff about the downturn and the measures being taken to ensure survival.

Communicate with suppliers and other creditors to ensure they are aware that the business is going through tough times and explain the measures being put in place to address any cashflow issues.

Finally, once all of the strategic planning has been done, the business owner needs to ensure that the culture of the business is aligned to the 'tough times' strategy to enable it to be realised. This may require a shift in culture either for the short term or maybe even for the long term.

With changes to a business strategy, be they short term or long term, the owner needs to follow through with the changes.

Everyone involved within the organisation will look to the owner for leadership in tough times and it is critically important for the owner to be the champion of change.

James Solomons is a Chartered Accountant and Partner at EFS. He can be contacted on 02 9868 3900 or at james@elitefinance.com.au



taggart

a fully
integrated
financial
services
group of
companies



... built on the values of
commitment, integrity, excellence,
knowledge and vision

We have been committed to serving the needs of individuals, families and business in Western Sydney since 1987. At the Taggart Group of Companies, we can assist you with:

- **Domestic insurance** such as home, contents, motor vehicle, landlords, farm insurance.
- **Business insurance** such as fire, burglary, general property, public & products liability, professional indemnity.
- **Advisory services** such as financial planning advice, retirement planning, personal risk insurance planning, key person and business insurance advice, superannuation for personal and corporate needs.

*While price is important,
value is even more so!*

For further information or to make an appointment, contact us by phone on **02 9894 9155**, or by email at taggart@taggartgroup.com.au

Taggart Nominees Pty Ltd, ABN 74 808 036 976, AFSL No: 234973, is an authorised Life Insurance Broker providing financial planning services. The Taggart Group Pty Ltd, ABN 11 003 493 712, AFSL No: 234973, is an authorised General Insurance Broker providing general insurance broking services. Our Financial Services Guides can be found on our website at www.taggartgroup.com.au.