

Post-GFC – Are you ready to grow?

Much has been made of the resilience of the Australian economy during the global financial crisis, however whilst big business confidence may be returning and economic indicators are pointing towards growth, many small businesses are not yet ready to take advantage of post-GFC opportunities.

Higher interest rates, difficulty in accessing credit, lower consumer spending and deep cuts to staff and turnover have buffeted small business owners throughout the GFC. As the pundits point toward a much brighter economic outlook, the small end of town still has some way to go before it starts to yield benefits in turnover, profit and growth.

‘Now is the time to look at your business and evaluate not only where your business is financially, but whether those foundations are sturdy enough for growth in the coming year,’ said Karl Veitch, partner with Bates Cosgrave Chartered Accountants.

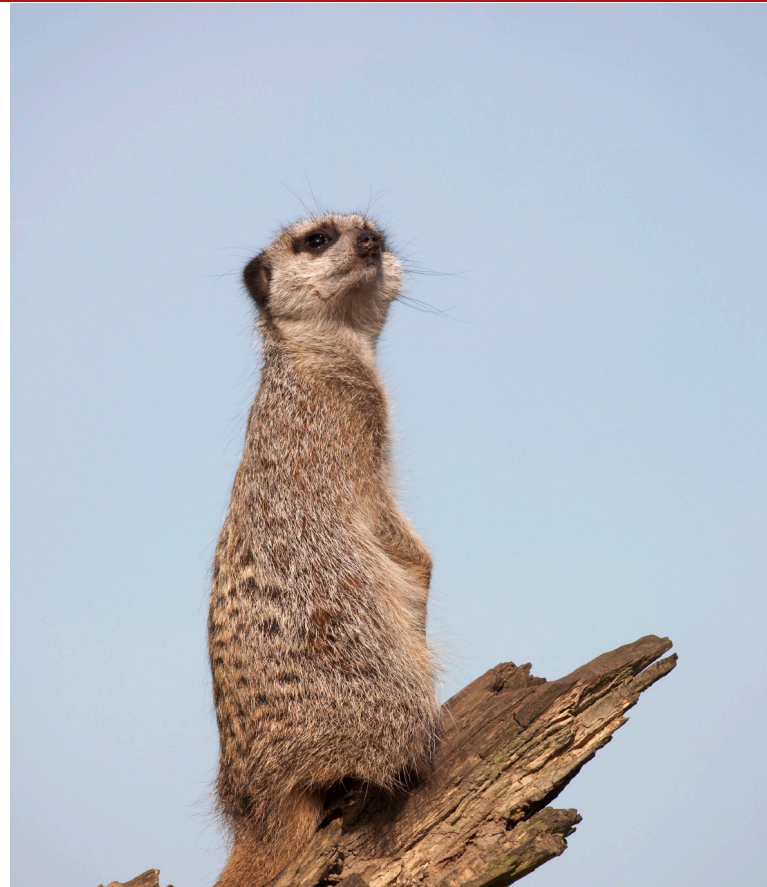
‘We know small businesses have had to cut resources, staff and expenses in order to rein in costs and ride out the GFC. The risk is that this has left many in the position of not having the right resources in place to take advantage of improving conditions - recovery for them will be slow and hard.’

Ostrich or Meerkat – responding to lean times

The impact of the GFC has been felt keenly by small businesses who seen found revenue channels stall or disappear, compounded by clients who have had to stretch their payment cycles to cope with the same issues further up the chain.

Poor cash flow during a economic downturn is one of the biggest challenges faced by small business. Without adequate cash coming in, many business owners come face-to-face with a reality check about the strength of their business and the ability to get through lean times.

‘Small businesses that tighten their belts without a strategic plan will feel it the most ... while SMEs who have looked at their business costs while objectively planning for when the good times return will shine in the early stages of economic recovery.’



‘Think about the ostrich and the meerkat - an ostrich will stick its head in the sand and react to the pressures around it; a meerkat is constantly on the lookout for danger signs, understands its vulnerabilities and strengths and works with its mob to respond.’

‘Small businesses that tighten their belts, cut their costs and go into hibernation without a strategic plan are the ones who’ll feel it most because they simply weren’t prepared to cope with tougher times or can’t see past their current difficulties. If you’re cutting costs that are fundamental to operating your business, you’re taking a long walk off a very short pier because it means you aren’t making cuts in the right places.’

‘The SMEs who’ve been able to ride through the worst of the GFC will have looked at their business carefully, worked out their current position, looked at their resources and considered how their business needs to function when good times return. They’ll still do it tough, but they’ll have a good chance of coming out the other side well placed to take advantage of new opportunities.’

Smarter, leaner, faster

Effective planning underpins the strategies of the small businesses that are coping well with the impact of the GFC.

‘Even if a small business has been strategic and adopted a more considered approach to getting through the GFC, they still need to have resources, financial strength and good management

systems to grow again as good times return,' says Karl.

That means 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, good measurement tools to provide visibility to management and ensuring that the strategy is appropriate for the business's capabilities.

'You can be more responsive and efficient when you have information at your fingertips,' says Karl. 'And that feeding that information back into the business will help management be smarter, remain lean and responsive – that is what helps SMEs to grow.'

How healthy is your business?

Good financial housekeeping is vital for any small business, however post GFC, it's an opportunity to clear the cobwebs and lay the groundwork for either expanding or rebuilding a business.

As Karl puts it, 'We want to help our clients continue to grow and be able to do so sustainably. Believe it or not, growing too fast without the right resources and support in place can cause a lot of strain and difficulties for a small business. You need to know not only where you're going, but where you currently stand - for example, do you have the right people, management processes and a clear strategy to grow and build your business?'

'Whether you're struggling to grow your business as the economy improves or not, then a business health check is the first step to assessing your true position.'

With our extensive experience in working with small business, Bates Cosgrave is well placed to help with the implementation of management support, accounting practices and effective tax strategies, particularly in helping clients to plan for growth or, as the case may be, to get the financial house in order so that growth can become an objective.

Time to evaluate, time to plan

As the end of the financial year approaches, now is the right time to be reviewing the impact of the GFC on your small business, as well as to plan for the coming financial year.

We've highlighted five of the top issues that should be on your radar to enable your business to finalise your position and lay the groundwork for the period ahead:



Understand your financial position: have you stated your financial position accurately for compliance, tax and planning?

Resources and reserves: have you reviewed your business post GFC to determine whether you have in place the people and financial capabilities to implement a growth strategy?

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?

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

'It can be daunting to look at your business objectively and the GFC still has reverberating shock waves affecting many businesses. Small business owners are passionate about what they do, and tough times have an emotional as well as financial impact,' says Karl.

'But however daunting, taking a step back to look at your financial position and planning accordingly is actually like taking a big deep breath.'

More information

To find out more about Bates Cosgrave Chartered Accountants or to book an appointment to speak to one of our team, call us on 02 9957 4033 or visit our website at www.batescosgrave.com.au.

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