



RECESSION-PROOF BUSINESSES SURVIVE AN ECONOMIC DOWNTURN

With the current uncertain global economy, Pitcher Partners, leading Australian firms of accountants, auditors and advisors, says now is the time to recession-proof a business to stave off potential disaster.

According to Mr David Vasudevan, a Pitcher Partners business recovery and insolvency expert, recession-proofing a business is a matter of creativity and strong management, based on three basic principles – effective communications, strong customer and staff relationships and sound financial planning.

“Business owners should be as close to their business as they can get and that means from their customers who buy their products, right through to their staff who sell them

“To do this they need to be on the shop floor motivating and listening to staff, seeking their input and ideas on how to improve the business and getting them involved in implementing initiatives,” Mr Vasudevan said.

“Staff are a great source of information on how to reduce waste, improve practices, generate sales and drive operational efficiencies.

“A smart business owner is able to harness their staff’s creativity and adapt their ideas to their business practices.”

Understanding your customer base is critical to any business but particularly beneficial during times of economic hardship.

“Meeting with key customers to discuss their needs is a great way of fostering loyalty and strengthening relationships,” Mr Vasudevan said.

“But it is also a clever strategy to employ during times of economic downturn because they know you will be able to respond and adapt to their changed circumstances.”

Key to customer relations is constant communication. It allows a two way flow of information, enables opportunities to be recognised and keeps a close eye on what competitors are offering.

According to Mr Vasudevan, the most important thing above all else is that your communications are good, honest and reliable because that is the hallmark of customer satisfaction and loyalty.

Planning is vital at any time in a business’ life, but never more so than when faced with unstable market conditions.

This should include plans to protect personal as well as business assets.

Protecting personal assets is one aspect of a business manager’s life that is often overlooked.

Mr Vasudevan believes it is worthwhile to establish personal protection strategies that provide assurance that personal assets and family wellbeing are protected.

“As these strategies are often complex, the best advice is to speak to a trusted and experienced financial advisor,” Mr Vasudevan said.

“Financial advisors are a great place to start to recession proof a business.

“To get the most out of them, stay close to them and encourage them to know the vagaries of your business and the industry in which you operate.

“A good foundation of support is built through being proactive and sharing your business plan and vision with them.

“This sends a clear message to the advisor that you have the knowledge, skills and aptitude to recession proof your business.

“Keeping account of business assets such as stock and inventory can be the difference between a company that survives an economic downturn and one that fails.

“Lack of stocktakes and accountability may lead to slippage, poor turnover and obsolescence and ensuring adequate controls are in place will prevent wastage.”

Critical to the success of any business, but particularly when faced with an economic downturn, is the monitoring and reviewing of profitability.

“When costs rise and revenue stays the same, or decreases, there will be the inevitable negative impact on the overall profit,” Mr Vasudevan said.

“All businesses experience rising costs, interest rates and wage and rent pressures but an effective manager will constantly monitor these costs and review production costs to ensure profitability.

“These profits must be sustainable and sometimes that may mean a smart operator will make the decision to increase prices.

“They will then support that with customer communications that outline the reason for the price hike and offer alternatives for customers such as changing order sizes, varying product mix or supplying different product options.

“A businesses reputation and goodwill will be protected if a strategic customer communications plan is implemented as part of the price increase roll out.”

The preparation of sound financial documents such as cash flow statements and budgets will also assist greatly during an economic downturn.

“Pivotal to the success of preparing cash flows and budgets is keeping them realistic and achievable, monitoring them carefully, at least monthly, and making staff accountable.

One of the biggest mistakes made by businesses during difficult economic times is to unnecessarily cut costs, retrench staff and stop spending.

“My advice is to work smarter and eliminate wastage and poor and inefficient practices,” Mr Vasudevan said.

“During tough times it is important to maintain high morale with staff because it is often the marketable staff that will end up working for your competition which tends to lead to a detrimental impact on your business.”

A thorough review of costs identifies smarter means for doing business and where inefficiencies are rife.

“A business owner needs to review existing contracts, leases and financial agreements and constantly be on the look out for other supplier deals that offer cheaper prices for the same or higher quality product or service,” Mr Vasudevan said.

Recession proofing your business will take time, resources and effort. Do not be afraid to seek support from others whether from senior staff, trusted advisors or family, but also take a personal interest and request accountability. Above all, communicate, listen and be creative.

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