

# Business tips for surviving challenging times

## What to do?

Many South African businesspeople are wondering:

- Is this a slowdown, a downturn or a recession?
- How long will it last?
- How deep will it run?
- Will it be a soft landing, hard landing or crash landing?
- With global economies currently experiencing unprecedented turmoil, it is imperative that companies keep their businesses 'financially fit' in order to survive the storm and position themselves for future growth when the upswing comes around. Adopting an incorrect strategy or looking at the current situation unrealistically could mean doom-and-gloom for your business.

Whichever way you look at it, the bottom line is the same - the economy is not what it used to be. As a business owner or manager, you need to prepare for the changing economic climate.

## Top tips

Here are eight tips on how to guide your business through these uncertain times:

### 1. Manage your cash flow carefully

Make sure that cash flow and financing are on the agenda of every management meeting - and address them. Monitor your management accounts and key ratios regularly to identify trends early, regularly update your cash-flow forecasts (building in sensitivity analysis, for example: changes to the exchange rate, raw material increases etc) and perform key performance indicator (KPI) analyses.

### 2. Focus on your margins

Focus on margins and cut costs, not your prices. A price increase can be the most powerful strategy to improve the bottom line, but in tough times you are not likely to get the benefits of a price increase easily.

Instead you are faced with having to reduce your costs to improve the bottom line. Be ruthless in assessing your cost structures and key cost drivers of the business operations. Hence stay focused on customers, not suppliers, as your margin source.

### 3. Don't forget the customer

Maintain your personal touch. When pressure to stay competitive is at an all-time high, you must be absolutely certain your customers are getting what they want and need. Don't assume they're happy just because they're not complaining.

#### **4. Working capital management is key**

Working capital = Accounts payable (ie, creditors), accounts receivable (ie, debtors) and inventory (ie, stocks). Wherever possible, negotiate better payment terms with your suppliers.

Review your debtors list and chase up overdue accounts. Don't be afraid to put customers on hold that don't pay, or alternatively you could consider entering into extended payment terms with them. Closely control your stock levels (dead stock costs you money!) and review your inventory insurance - theft often increases in a downturn.

#### **5. Continue to promote your business**

It is not necessary to put a stop to your advertising and other public relations efforts. This is the time to capture the hearts and minds of consumers - new and existing.

If you cut advertising costs, you may lose your customers to your competition. History has shown that robust businesses increase advertising in a recession in order to win customers away from their competition.

#### **6. Reward your top performers**

Look for creative ways to retain your top performers. You may not be able to offer attractive salary increases, but consider offering perks that don't cost the company a lot of money (for example: flexi-time and work-from-home options).

If you need to cut staff costs, get rid of poor performers - they take up a disproportionate amount of management time, aggravate customers, squash company morale and drive away high-quality performers.

#### **7. Take a critical look at your plans and operations**

Review and evaluate your company's internal operations, strategic plans, procedures, process flows, organisational structure and policies to see how you can cut costs, reduce duplication of work, increase productivity and improve fiscal oversight.

#### **8. Watch the competition, because they're watching you**

Investigate your competition and determine whether you can take advantage. While most businesses are more concerned with focusing inward during this time, a few brave companies will see this as an opportunity to get one over their competition. Sure, you might not be as flush with cash as you were in the past, but neither is your competition.

**Remember:** The advantage you build up now might be difficult for competitors to surmount later.