

# Business Strategies for the Bumpy Road Ahead

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## Business Strategies for the Bumpy Road Ahead ..

### 1. Ensure that you have great real-time information

**Keep the books up-to-date.** Review historic results on a timely basis (allows you to make adjustments to your business before it is too late). Track your industry's forward looking business indicators. What products and customers are your most/least profitable. You need good information to make good decisions.

### 2. Monitor competitors and industry developments

**Watch the early warning signs.** What are the smart people doing? What has caused people to fail? Ensure you can respond quickly to industry and general business developments (including foreign exchange and interest rates). Understand how these trends will affect the value drivers of your business.

### 3. Chase your debtors for cash

**Proactively pursuing your debtors** not only improves your cash flow, it gives timely warning of customers in trouble. Review credit terms. Consider cash on delivery. It is painful to realise that the goods/services supplied to a customer on credit just before their collapse could have been avoided as the warning signs were all there.

### 4. Manage your inventory levels

**Reducing inventory levels to the lowest optimum level** not only releases cash, but it reduces the probability of needing to write off dead stock. Consider discounting slow moving stock to improve your cash position and avoid obsolescence.

# Fine Tuning for Performance

### 5. Strategic cost cutting

**Understand the relationship between your costs and the resulting sales** and/or profitability driven by those resources. Don't cut resources that would undermine your business strategy and competitive advantage. Eg. Only send your best sales person on leave if your manufacturing team have a full order book and backlog.

Look for and implement new variable cost solutions for items that are traditionally fixed-term fixed costs, so that you can turn the tap up/down as conditions require.

### 6. Listen to staff and customers

**Get staff input and suggestions on reducing waste**, improving practices and sales, and driving efficiencies.

Meet with key customers to understand their changing needs. Get closer to them to ensure that you are irreplaceable. It is also, typically, cheaper to make additional sales to existing customers than finding new ones. Also, talk to old customers that have moved to your competitors to understand their reasons.

### 7. Stay close to your bank manager

**The need to refinance creates many risks.** Understand how your bank assesses your credit worthiness. Manage these KPIs. Make sure your bank manager understand the (hopefully temporary) reasons for adverse results. Start early on renegotiating new finance for facilities that are due to expire. Being proactive sends signals to the bank that you are in control of your business.

### 8. Stay on top of compliance matters

**The ATO is aggressively chasing overdue lodgements and tax payments.** Avoid the distractions and penalties by saying up-to-date.

## Business Strategies for the Bumpy Road Ahead ..

### 1. Revisit your strategy

**You can't assume that your existing product and market strategy will continue to be successful.** Does your competitive advantage still apply to new market conditions? Will your industry be first or last to recover? Will it recover at all? Reconsider your growth and investment plans.

### 2. Asset protection

It may be too late to alienate yourself from valuable non-business assets (refer bankruptcy laws), but **look for opportunities to optimise your position.** To do this you will need to understand what security you have provided to various creditors, etc.

### 3. Understand your commitments and reduce where possible

**Reduce borrowings.** Take the 1 year lease extension rather than 5 years. Review supplier contracts for locked-in commitments. Negotiate new arrangements that provide more flexibility.

### 4. Save the core at the expense of the periphery

**Focus on protecting the core business and your competitive advantage.** Sell or close down the ancillary business lines and assets. Sell surplus assets to reduce debt (where market values are appropriate). What lower value creating initiatives can you stop or defer?

# Defensive Strategies for Tough Times

### 5. Keep key players on the team

It was not long ago that everyone was complaining about how hard it was to attract and retain good people. **Be prepared for a recovery by maintaining engagement and relationships with your best staff.** Cut costs through staff taking leave, cutting overtime and having people work part-time. But have them engaged in your business so you can ramp up hours as soon as things improve without the need to recruit in the open market. This also preserves your investment in training, etc.

### 6. Manage the pain of redundancies – but still make the hard decisions

**Where you have to reduce staff, handle the process with care and compassion.** This will have a big impact on continuing staff morale. Also consider risks related to disgruntled staff by protecting information and assets.

### 7. If required, make the hard decision and sell out early

Once you are in financial distress you will have no bargaining power at all. **Maximise your position by taking a proactive and strategic approach to selling up.**

### 8. Be prepared for the worst (while planning for success)

Model a range of scenarios that reflect various business conditions and your strategies. **Develop contingency plans.** Set trigger points for taking appropriate courses of action.

## Business Strategies for the Bumpy Road Ahead ..

### 1. Understand and take advantage of government stimulus opportunities

**Reduce your tax burden** by taking advantage of investment allowances. Watch for the key dates and other eligibility criteria.

### 2. Ensure your industry association is lobbying to your advantage

**Many specific industries are receiving stimulus package assistance** (home insulation, local government infrastructure, computer equipment, etc.). Should your industry be knocking on doors?

### 3. Consider new business lines or variations to normal products

For example, **redeploy your resources away from products relying on luxury discretionary spending** to consumer staples.

### 4. A mandate for implementing new efficiencies

**If hard times have a good side**, it's the pressure to cut expenses and find new efficiencies. Cuts and changes that would create trouble with staff during good times, can be made during hard times.

# Taking Advantage of Opportunities for Success

### 5. Bargain with your suppliers

**Many suppliers are willing to renegotiate pricing and terms.** Don't be shy. They might settle for rapid and reliable payments. Shop around.

### 6. Snap up bargains

**Take advantage of opportunities to buy the assets of distressed competitors** at bargain basement prices. The best assets are competitive advantages that your competitor had unwisely encumbered with debt and clutter.

### 7. Continue to invest

**Be prepared to take advantage of new business opportunities** from stimulus packages and/or the economic recovery. Have the infrastructure ready to go (this may mean ready to buy/build, rather than installed). Snap up strategic talent that is suddenly available.

### 8. Be agile and confident – act decisively

**It is important to take the tough decisions early.** Focus relentlessly on the key drivers of value and the key risks across your business. Don't sit back and wait. The winners will be those who position themselves to take advantage of the upturn.