



# **SURVIVING** *IN DIFFICULT TIMES*



- / Chartered Accountants
- / Business & Tax Consultants
- / Financial Planners

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P 07 4924 9100 / E [kennas@kennas.com](mailto:kennas@kennas.com) / [www.kennas.com](http://www.kennas.com)

5th Floor Capricornia Electricity Centre Cnr Fitzroy & Alma Streets / PO Box 201 / Rockhampton Qld 4700

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# SURVIVING IN DIFFICULT TIMES

## 1. ACCEPT THE REALITY OF THE SITUATION

It is not always easy to admit that as an owner or manager that the business is indeed not performing to expectations. By being realistic and accepting the reality of what is going on, it will be much easier to begin the improvement process.

## 2. TAKE STOCK OF WHERE YOUR BUSINESS IS AT AND WHY, AND YOUR FINANCIAL AND ASSET SITUATION

You need to know if you can continue to trade and recover, and if you want to put in the effort required to do this. Have you the financial resources to continue on?

## 3. SEEK HELP FROM THOSE WITH MORE EXPERIENCE

This is not a time to try and solve problems all alone. Talk with other owners or managers that may have been through a similar situation. Talk with an experienced business account like Kennas who has 120 years of experience working with businesses through the good times and bad.

## 4. TAKE IMMEDIATE ACTION STEPS TO STOP THE DOWNWARD MOMENTUM

Speed of action is something that can be critical – don't wait for the wolves to appear at the door. After accepting the situation and seeking expert help, make a real effort to stop any further decline as soon as possible. Start to take proactive and positive steps immediately.

## 5. DECIDE WHAT NEEDS TO BE DONE FIRST, SECOND, THIRD

Part of the proactive process of taking action is planning out what needs to be done and getting on with it. Decide the first area to be dealt with, deal with it and move onto the next. Be systematic in dealing with the issues and it is amazing how quickly momentum will build and things will start to improve.

## 6. KEEP YOUR MIND AND ATTITUDE STRONG

Dealing with a business downturn is never easy and there are bound to be some casualties along the way – employees, suppliers etc. It is important to keep a strong mind and not allow emotions to become overwhelming. Empathy can still be demonstrated at all times, but keep strong.

## 7. DO A FINANCIAL HEALTH CHECK

In tough times, you should regularly analyse the financial position of your business, because its financial position will determine whether the business remains viable and whether it is positioned for future growth.

You can get a lot of information on the financial health of your business (and hence about how your business is performing) through financial statements analysis performed by Kennas, and the associated report we provide.



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### 8. IMPROVE YOUR CASH FLOW

Typically in tough times, the most significant problem faced by many businesses is poor cash flow. Ideas to improve your cash flow include the following:

- collecting money outstanding from customers (debtors).
- prepare regular cash flow forecasts
- skew promotions to products and services that can be turned into cash quickly
- measure and reward the behaviour of your employees that improves cash flow
- stop or reduce overtime
- watch closely sales (discounting) and negative affect on profit
- make full use of your terms of trade with suppliers
- don't let personal drawings from the business get out of hand
- reduce stock levels
- replace slow-moving and obsolete stock with stock that has a faster turnover
- sell unnecessary assets
- seek finance on reasonable terms from external sources
- sell property and invest cash back into your business
- borrow from family members

### 9. GROWING YOUR SALES - REVISIT YOUR MARKETING PLAN

It is best to go back to the beginning with this one and start with your Vision, Purpose and Mission. From there you need to understand and work through-

- what do you really do
- what problem do you solve
- how are you different (what is your point of difference)

- why should your customers care
- where do your customers come from
- which portion are responsible for the most profits
- develop your marketing message
- define your key target markets (both existing and potential)
- what is the best way to reach them
- define your ideal customer
- develop your marketing plan
- set up systems to track lead generation, conversion rates, retention rates

### 10. PREPARE A ONE PAGE PLAN TO GET THE TEAM ON THE SAME PAGE

It is more important than ever in trying to improve a business, for the team to understand what your business is about and what it is trying to achieve.

Preparing a one page plan which summaries this, and discussing with your employees, is the best way to start making this happen. Kennas has a one page plan template which can assist with this process.

### 11. ADOPT APPROPRIATE RISK MANAGEMENT STRATEGIES

Tough times may expose risks to the business (from internal and external sources) which were not previously apparent and which may threaten its viability. Such risks include:

- relying too heavily on a small number of major customers
- relying too heavily on one supplier
- selling on credit
- reduction in demand for your goods and services
- fraud



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### 12. OTHER COMMERCIAL CONSIDERATIONS

Other commercial issues to consider tough times include:

- your terms of trade and other contractual issues imposed on customers
- breaches of debt covenants, value of security and personal guarantees provided to secure finance
- whether the asset protection steps taken by the business owner/director are effective
- reducing the size of your workforce, or alternatives such as reducing hours

### 13. TAKE ADVANTAGE OF OPPORTUNITIES

Don't turn a blind eye to opportunities that may emerge that:

- are consistent with your strategic direction
- can be properly funded

If an opportunity does emerge, it may be necessary to adjust your business plan and budgets to accommodate it.

In other words, in tough times you may have to drop activities from your business plan and re-focus your budget to take advantage of an opportunity.

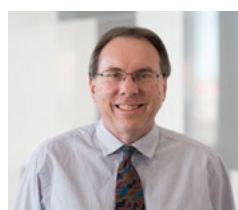
### 14. CONSIDER EXITING YOUR BUSINESS

Most businesses will trade through the tough times, some with greater success than others. However, some businesses will not survive. There are several ways that a business can be wound up. Kennas can guide business owners by providing strategies for exiting a business, including information about selling or passing on the business, merging, closing down the business, liquidating and forced closure.

### 15. CONCLUSION

Businesses that are well run use these ideas during both the good times and the bad in order to maximise their profits and minimise risk. Using them now can help your business to emerge in a much improved condition, which will hopefully lead to long-term growth.

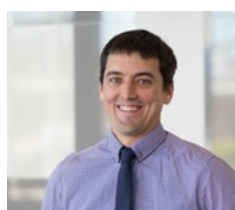
## FOR MORE INFORMATION CONTACT



**Darren Smith**  
*Partner / Director*

*Chartered Accountant*

07 4924 9100 / 0400 111 222  
darrensmith@kennas.com



**Peter Shonhan**  
*Partner / Director*

*Chartered Accountant*

07 4924 9100 / 0439 534 197  
petershonhan@kennas.com