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Featured Let's Talk

Let's Talk: My business is in trouble. What can I do to survive?

Clare Loewenthal
October 27, 2021



According to the RBA, around half of all Australian firms only had enough cash on hand to cover one month of expenses prior to the pandemic.

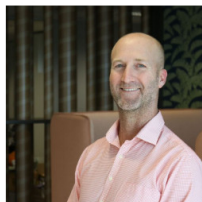
Large and publicly listed companies had much larger cash buffers than smaller businesses, on average holding more than three times as much cash. Larger companies were also more likely to have access to significant credit lines.

As COVID-related financial support from the government diminishes, and supply and employment challenges increase, it is unsurprising that SMEs are now struggling.

So, what practical steps can you take to turn your business around?

Let's talk...

Mark Brown, general manager – marketing, [Konica Minolta Australia](#).



"Over the course of the last two years, businesses around the world have felt the impact of disruption and uncertainty caused by the global pandemic. This has put immense pressure on many businesses, some of whom may still be struggling.

There are four key things to consider for business survival and revival:

1. Honesty is the best policy. Contact lenders and suppliers to negotiate better, more manageable terms that will give your business a little financial breathing room.
2. Cashflow. Are you trading cashflow positive? Make sure your credits and debits are in the right balance.
3. Control. Focus on these three levers to regain control in your business:
 - Revenue – how can you grow this?



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- Margin – are you maximising its potential?
- Expenses – can you reduce these?

4. Short-term goals. Focus on short-term financial goals and work towards achieving these before considering future, big-picture goals.”

Dean Swan, Regional Director ANZ, monday.com



“I have a strong belief that transparency is fundamental to success. It is something that should be practiced both when you’re succeeding and when you find your business in a tough spot.

“True transparency in a business means all information – numbers, roadmaps, plans, challenges, concerns – is accessible to everyone on the team. It allows you to harness the full intelligence of your people, move with greater agility, and achieve more together. Understanding the data – all of your data – and empowering your team to help brainstorm solutions and ideas can be incredibly powerful to turning around a business in trouble.

“Transparency is driven by data, where access to all lines of the business grants visibility over gaps or holes in operations and means that when trouble arrives, every person has the information and understanding needed to make improvements on their own.”

Anthony Venneri, Executive Head – Accounting and Tax, [Findex](#)



“There’s a popular Chinese proverb that says, “The best time to plant a tree was 20 years ago. The second-best time is now.” For businesses that are struggling, the sooner they reach out to experts for support and advice, the better their outcome will be. For all other businesses, developing a business continuity plan (BCP) should be a priority, to identify key areas of risk and prepare for possible challenges.

“When periods of turmoil arise, businesses with existing continuity plans are able to more effectively and efficiently adapt and pivot, adopting new technologies and processes to increase productivity and minimise negative impacts. When Findex surveyed 280 Australian and New Zealand businesses for our [Digital Transformation report](#), we found that a third of businesses with a BCP said they were more productive during COVID. This figure dropped to just one in ten when businesses without a BCP were consulted.

“Even having weathered the vast disruption of COVID-19, it’s not too late for your business to identify its key risk areas and work through the various financial scenarios and key strategic options you need to make to survive. “

Andrew Cornale, Co-founder and Digital Experience Director, UnDigital®



“When business owners experience hardship, the default reflex is often to self-diagnose the issue and select a vendor to execute a pre-defined ‘solution’. When in survival mode, this can seem like the most logical approach to getting your business back on track, however, it’s often the opposite. You wouldn’t go to a doctor only to guess what the problem is and tell them what medicine you need, so don’t do the same thing in the instance of your business.



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"The key to survival will vary between each business depending on the industry and surrounding circumstances, there is no cookie cutter approach. So, what can you do to survive? Be willing to solicit an industry expert to talk about the issues your business is experiencing and the solutions to remedy it. Acknowledge that you're the expert on your offering but not in the field where you're experiencing trouble. This understanding is how the most prosperous partnerships are formed."

Greg Dudley, national head of restructuring and recovery, RSM Australia



"When your business faces troubling times, it's important to review your current strategies, customer pool and demand, and current market position, and seek external support, feedback, and advice.

"There are two important steps that can help lead you to recovery.

First: It's important that you stop, take a breath, and assess your situation. Anxiety and stress are known to short-circuit the decision-making process, so try to remain calm as much as possible, and shift your mindset from reactive to proactive. Some elements to review include:

- cashflow
- stimulus measures and support
- risk
- protecting personal assets.

Second: Develop a recovery plan by considering remediation and innovation. Implementing a recovery plan will help you renew your focus, improve business strategies, and make informed, proactive decisions. Some aspects to consider include:

- cutting costs
- access to funding
- deferring or negotiating payments
- assessing employees
- seeking opportunities."

Alan Manly, CEO, Universal Business School Sydney



"COVID 19 to many has been a nightmare for many. Lockdowns have locked many SME's out of their customer base and the ability to earn an income. The Government provided some help for a while, but many SMEs are now facing the reality that they will need time to rebuild their business back up to being viable. As the saying goes 'when the going gets tough, the tough get going'. Below are three tips for those prepared to tough it out.

1. Mortgage your house. Seems counter intuitive but with a big bank having first mortgage on the home it is a lot harder for creditors to force a fire sale of your home. The banks are there until you fail pay them. They can be relied upon to be selfish.
2. Chase down every debtor. Phone, visit, talk and talk. Every dollar collected is now very valuable.
3. Open new accounts with suppliers. Spread your risk. Many small creditors are easier to manage than a few big ones.?

Paris Young, founder, [Pascal Satori](#)



"When a business is on the rocks, one thing many fail to address is how they can 'design' their ideal business. Some will look at their cash flow, overheads, or sometimes even cut back staffing hours as a 'quick fix'. It's common for those not in the design space to assume design means simply 'figuring out what things should look like', but it goes much deeper.

"Design is driven by empathy for the humans at the centre, it isn't specific to a sector or industry, and it's noticeable to all (including new leads). Design is also a group business effort. It doesn't sit within HR, comms or IT, and the solutions that come out of [design strategy](#) are always unique, never-to-be-repeated and tailored to the situation. Design identifies and defines opportunities. It prioritises the bigger 'forever' picture – resulting in longer-lasting, positive solutions. What more could a struggling business ask for?"

Rolf Howard, Managing Partner, Owen Hodge Lawyers



"If your business is under financial pressure and you're concerned about the threat of insolvency, the good news is that as of this year, new rules give viable small businesses time to restructure debts and turn their businesses around before needing to commence insolvency proceedings. This is a departure from how things have been done previously and will give your business more breathing room.

"Insolvent small businesses will have 20 days to produce a plan for how they will restructure debt. In the meantime, you should also focus your efforts on cutting costs, re-targeting your marketing, advertising and business development efforts, negotiating rent relief under the Retail and Other Commercial Leases (COVID-19) Amendment Regulation 2021 (NSW) (N.B: This now expires on 13 January 2022), speaking with your lenders about payment flexibility, communicating with creditors and negotiating payment flexibility where possible, and seeking both legal and financial advice."

Joe Donacchie, Supply Chain Finance Specialist, [Octet](#)



"Faced with lockdowns, the removal of government support, and little to no revenue for months on end, the bills have continued piling up for SMEs over the past year. Worse still, businesses are dealing with shipping and delivery challenges that will leave many facing stock shortages just as consumers get ready to open their wallets. Is it any wonder some businesses are in trouble?"

"Finding funding to cover disruption or to invest in growth can be hard to come by. Traditional lenders, such as banks, are often reluctant to lend to small businesses, particularly if they don't have physical assets to offer as security. To fill this gap, there is enormous growth in non-bank lending. A Debtor (Invoice) Finance facility enables businesses to receive an advance on unpaid invoices, whilst a [Trade Finance](#) line of credit allows businesses to pay for goods up front with longer terms to repay their financier. Through these innovative finance options, businesses can pay their suppliers early and often at a discount, helping to accelerate cash flow and improve relations in their own supply chain.

"Given Australia is likely about to enter a period of increased business activity and consumer confidence, non-bank funding options could be the key to staying competitive."

Ajay Unni, CEO and Founder, [StickmanCyber](#)





"In my 30 years as an entrepreneur and 15+ years as owner of [StickmanCyber](#) the most important survival skills I've learnt is the power of perseverance and not being afraid to ask for help.

"As business owners we often think we're alone and there is no support, but I encourage anyone that is struggling to reach out to family, friends, and work acquaintances. Sometimes that one phone call can make all the difference.

"Know that you don't need to be the sole owner of your business for it to survive. Bring in a business partner as an equity owner, get a loan from the bank or look at what government grants and assistance is available.

"The key thing is to keep an open mind, trust your instinct and don't lose sight of why you started the business in the first place. Reconnect with your purpose and go and ask for help."

James Haslam, CFO, [ELMO Software](#)



"There are always significant uncertainties in business and rapid changes in circumstances, such as lockdowns, can quickly transition a business from relative health to a situation of distress. Ideally, a business owner, facing this change, will move to implement their contingency plan.

"However, a busy owner will often be focused on growing their business rather than planning for downside risks. In a downturn it is important that owners take a deep look at the market they are in and the internal operations to diagnose the extent of the issues faced before any short-term knee-jerk reaction.

"Unfortunately, there is no one-size fits all strategy so the key will always be a combination of planning and remaining agile to the circumstances. Considerations that should be worked through include identifying alternate revenue opportunities such as different sales channels, a capital injection or a cost cutting exercise, such as adopting technology to increase automation."

Annie Sheehan, Head, Project Management Institute (PMI) Australia and New Zealand



"When businesses are in crisis, it can be challenging for organisations to step back and choose the best path forward. Working with agility allows organisations to position themselves to take action quickly to survive.

"Agility is an essential project management skillset that gives businesses the know-how to choose a fit-for-purpose way of working to apply to any project or operational challenge. Start where you are, lay a foundation, continuously learn and improve to address future challenges, growing team confidence and capability.

"Agility embraces a team approach, where all members share ownership of the process. Focus is on completing work in increments that add value as you go, rather than waiting for everything to be complete. Think of building a house and finishing the garden after you've moved in.

"Agility approaches enable leaders and teams to strategically assess any situation, consider the most appropriate problem-solving method, and implement practical resolutions quickly."

Chad Hoy Poy, National Lending Manager, WLTH





"There could be many reasons a business is in trouble, including not effectively planning its growth strategy, poor staff conduct, missing a market niche, pricing yourself out of the market, or not listening to your customers' needs. We have even seen some businesses in trouble as they have failed to grow fast enough.

"Businesses may be in trouble as the demand for their product or service grows faster than they can handle. It's a negative outcome if you lose a long-serving client or clients as you cannot meet their demand, and in turn, they look elsewhere to fulfil their needs.

"Having a well-planned financial reserve strategy is integral to maintaining growth and meeting your clients' demands. Keeping an eye on your business cash reserves and having funds available to capitalise on growth opportunities is integral to keeping your business performing and your clients advocating on your behalf.

"A few options to help businesses grow include invoice finance, cash flow finance, unsecured loans, and business loans. Some of the "last minute" quick options can sometimes cost more than they are worth because they are based on a rate for risk model and have rates above 20 per cent.

"With this in mind, at WLTH, we have a residential property secured business loan that can give business owners access to funds at residential rates. This means a business looking to grow and needs to purchase further capital, refinance current loans, or buy an existing business could have access to a line of funding that enables them to keep ahead of their competition. Taking these steps can also assist us to continue building a robust business positive customer experience.

"Stay ahead of your business needs and make sure your business plan and business reviews consider possible acquisition and growth options for your business and try to have funds available to capitalise on them."

Kelly de Martin, Integrative Nutrition Health Coach & Founder at Glow & Grow Wellness.



"As a business owner, prioritising self-care is essential for business success, especially in times of trouble. Taking 'time-out' allows us to mindfully navigate various challenges as well as providing perspective. This leads to informed decision making rather than reactive decision making.

"If you're experiencing challenges in your business, try scheduling time away from your desk in order to 'fill your cup' and check-in with yourself. Creating space for yourself, even fifteen minutes, will allow you to address any business concerns from a place of peace and abundance, rather than stress and anxiety.

"It may feel counter intuitive, as often during challenging times it is natural to direct all our attention to the thing that demands it the most, but we know that when we pause, it does wonders for our mental wellbeing and as a result, our productivity levels."

Read more: [Let's Talk: When is the right time for your business to grow? Balancing risk & opportunity](#)

Read more: [Let's Talk: Cost cutting in business and what you can do to save](#)

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Clare Loewenthal

Clare is an author, business commentator and passionate contributor to Dynamic Business. She was the Founder and Publisher of Dynamic Small Business magazine, which became Australia's largest small business publication.

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