



Shaping your business for the less than certain times

James Pinchbeck

With interest rates rises, money market mayhem, cost of living and price increases, public sector wage pressure and squeeze on consumer spending, businesses understandably face less than certain times. This is, though, against a background shortages of labour, still relatively cheap money and in general terms businesses reporting good financial returns. Nervousness and uncertainty is probably heightened by a sense of 'we have not experienced such conditions before'. The situation we face is less than typical of a downturn in the economy or even recession. We seem to be experiencing or facing something new whether it is economic re-alignment or a tweaking.

Historically extremes in economic conditions, more typical of the boom and bust economy have been easier to understand and for action to be taken. The environment we operate to today is more difficult to comprehend and therefore for us to decide what plan of attack or defence to take.

It may however be a worthwhile exercise to take time out of the busy day to look at your own business and to consider some of the potential risks and issues you face. A review of strategy and business operations could help ensure you remain on course and that you are best placed to cope with these, less than certain times.

Some of the key areas to consider include the following:

Cash is King

It is a good idea to review your working capital requirements, you may find that it needs to be increased on account of a slow down or even less activity. This could involve tightening credit terms, reducing stock levels and negotiating better terms with suppliers. It may, rather than taking cash out of the business, be also prudent to increase cash reserves so that you can weather the storm.

A sale is a gift until it is paid for

One of the most obvious signs of economic slow down is an increase in late and non-payment. Adopting a firm and stringent credit policy can help to safeguard many a business. It is amazing how many business still do not undertake any form of credit check, debtor analysis and do not have or enforce terms of trade

Take an interest in finance

With recent interest rises it may not appear the best time to consider reviewing or switching finance, but there are still some good deals out there. This is especially the case if you've not reviewed your external finance for a long period of time. For those with long term overdrafts it might be worth switching it to a long term loan

Turnover is vanity and profit sanity

Chasing turnover is rarely good for business. Knowing which customers and what products or services give you the best return are at the heart of any successful enterprise. Compromising your profit margin can be a slippery slope, safeguarding it can involve a tough stance, as well as the need to look at your own process and practices.

If you can measure it you can manage it

Seat of the pants entrepreneurial may have its flair, but sound business management is undoubtedly at the heart of many a sustainable enterprise. Setting your own key performance indicators and the provision of timely management accounts certainly can help keep you on track.

In essence the points covered are not rocket science and if anything should be at the core of every good business. They do, however, provide for sound approach to businesses that over recent years may have enjoyed easier times, being driven by markets and customers.

STREETS

Tower House
Lucy Tower Street
Lincoln
Lincolnshire
LN1 1XW

Tel: 01522 551200
Fax: 01522 533234

St Peters Chambers
2 Bath Street
Grantham
Lincolnshire
NG31 6EG

Tel: 01476 590838
Fax: 01476 590795

Halifax House
30 George Street
Hull
East Yorkshire
HU1 3AJ

Tel: 01482 225399
Fax: 01482 219964

Lloyd's Building
12 Leadenhall Street
London
EC3V 1LP

Tel: 020 7816 5827
Fax: 020 7816 5826

87 Park Road
Peterborough
Cambridgeshire
PE1 2TN

Tel: 01733 312191
Fax: 01733 896214

Churchgate House
33 Churchgate
Retford
Nottinghamshire
DN22 6PA

Tel: 01777 869955
Fax: 01777 869962

e enquiries@streetsweb.co.uk
www.streetsweb.co.uk

These notes are for general guidance only. No liability is accepted by Streets for actions taken in reliance upon these notes and it is essential that detailed advice relating to the particular circumstances of the case in question should always be obtained before action is taken.

Streets is a trading style of Streets LLP, Streets Northern LLP, Streets Southern LLP, Streets Tax LLP, Streets Audit LLP and Streets Financial Consulting plc Streets LLP (registered number OC309545), Streets Audit LLP (registered number OC309381), Streets Northern LLP (registered number OC309382), Streets Southern LLP (registered number OC309380) and Streets Tax LLP (registered number OC309379) are all Limited Liability Partnerships registered in England. Their registered office is Tower House, Lucy Tower Street, Lincoln LN1 1XW. A list of the names of the members is available for inspection at this address. Streets Audit LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work Streets Financial Consulting plc (registered number 2029793). Registered office : Tower House, Lucy Tower Street, Lincoln LN11 1XW. A list of directors is available for inspection at this address. Streets Financial Consulting plc is authorised and regulated by the Financial Services Authority For regulation purposes, corporate finance work undertaken may be dealt with by Streets Financial Consulting plc, which is authorised and regulated by the Financial Services Authority