SO, WHERE TO FROM HERE?

Frankly, there is no living expert that has experienced what has recently happened worldwide. There are however any number of so-called experts ready and willing to explain what you are feeling, how to cope in these hard times and how to stay healthy.

That is all terrific stuff that should not be dismissed. When the noise begins to die down every business owner – and employee for that matter – really needs to sit quietly for a while and ask themselves the simple question, 'Where to from here?'

This article hopefully contributes to that process and in so doing poses a few different scenarios, some good, some challenging. They are not offered as solutions but hopefully as prompts to assist you formulate a preferred pathway. As such it certainly comes without warranties and guarantees.

Disruption = Opportunity

We have all heard the saying that someone is either a 'glass half empty or a glass half full' type person. Both can be quite successful in their life's pursuits however, they tend to come at challenges from differing perspectives. The ensuing months and possibly years will surely test that whole premise as we will all face several new challenges as we move forward.

Anyone who believes there will not be significant failures across the business spectrum should probably adjust their medications. Just recently Virgin Airlines Australia was placed into voluntary liquidation, and a looking back over the last twelve months has seen many of our larger sign companies suffer the same fate.

Reality is, as history clearly demonstrates that with every period of disruption, whether that be local or broad based, it generates opportunity. Some argue that opportunity outcomes can only be attributed to luck, while others claim opportunity must be planned for and well executed. Most likely, both views can be substantiated by example to some degree however, an equally valid perspective would surely be that opportunity is going to favour those best able to recognise it when the opportunity presents. Part of that recognition is surely going to be the acceptance that when the lights do go back on it will NOT simply return to "business as usual".

Where were you when the lights went out?

Economists were already starting to talk of doom and gloom in economic speak at the end of last year. Suggesting that the year ahead would be less than a bumper year. Little did they know just how much less than a good year it would turn out to be. January is generally quiet for the sign and graphics industry anyway so nothing really started to bite for many until around mid-February. Of course, by March most things had really ground to a halt. Let us assume however, that the point at which the lights were switched off was, fittingly, April 1st. The logic of picking that date is simple in that it coincides with the end of the 3rd quarter BAS report period so for many businesses a usual period of financial review.

At that point in time where were you with your debtors list? With a bit of luck most of the busy pre Christmas rush of orders have been invoiced and collected. If not, then we suggest there is the first risk to assess. The fact you have clients that you have dealt with for years who have always paid their bills provides no assurance going forward. Any dollar outstanding should be considered at risk.

Your starting position is therefore the money in the bank less any money owed. To improve this position, you really need to conservatively assess the how, when and if regards collection of all outstanding invoices. No one (well certainly not many) likes to be the one to lean on clients for money and in these circumstances, you are bound to hear a whole bunch of hard luck stories. Certainly, you have the right to play hard and demand payment and some will, while others will by nature be more lenient, especially with longstanding relationships. The real point is not how you approach the conversation but rather the quality of information you gather. Naturally some debtors will, with the best of intentions, suggest their cheque is in the mail. You need to factor in the likelihood of the outcome and not just the words you hear. In short, unless you are in the enviable position of having a very healthy bank account, you are going to need to be extremely mindful of the cash position of your business over the ensuing months. The three aspects of your business over the coming months that will require more attention than any other aspect of the business will be cashflow, cashflow and cashflow.

No matter how many years you have been in business, this broad interruption and for such an extended period is in reality akin to

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starting a new business, possibly within a market space you believe you already know and are comfortable with. The random part of the equation is that you simply cannot (and importantly should not) trust that your historic client base will be intact and active on the same level as it may have been. Just as it is likely you will be looking at how and where you can shave some costs in both production and expenses, you must logically assume your clients will be in a similar position.

Where will you be when the lights come on?

According to the economists, while the lights were out, they had a bunch more lights and dimmers installed, so initially it is more likely, some parts of the market will be well lit and others no so much.

Some market areas will bounce back as they may be considered 'essential' whereas areas like travel, retail, fashion and a host of other non-essentials will be slower to respond.

As such a review of your historic client list, their locations and market segment would seem to be a good use of time to at least profile and target clients least negatively impacted over the period. It is also a great time to review your general business model to re-assess where your best opportunities lie. This will depend to some extent on the type of equipment you have, your immediate labor availability, turnaround time and your client's ability to pay promptly. Obviously, larger contracts look good upfront, however they are likely to take longer to produce and suck up more resources, so they may, or may not, fit with with your immediate cashflow requirements.

If you just sit and wait for the phone to ring or, these days for the emails to come in, rather than being pro-active then you are more likely to left behind, as this will inevitably be a period where the early bird catches the worm. One scenario will be that initially the service-based industries will want relatively short-term promotional signs and posters to promote their start up offers. Chances are these will also be bargain hunters who throw requests for quotes out to the market. You just need to be mindful as to whether this type of work will benefit your business. Many suggest it is worthwhile because it at least contributes to the fixed expenses of the business and to some extent that is a valid point however, only if it also improves the overall cashflow and that only happens when the dollars hit your account. Having low profit jobs not paid for promptly only adds to your cashflow issues.

So, your lights are on and the machines are buzzing. The next item on the agenda is to make sure you talk with your creditors. Remember they too are concerned with how the future looks. It is much better to have an honest conversation with them than not. Just as you (hopefully) phoned your debtors to ascertain how your cash will likely flow, so too are your creditors. Being pro-active with a short statement of fact that sets out your position and, if need be, requests some temporary relief, puts you in a much better position than waiting for their call. Your creditors want to know that you have a good handle on the facts and are in control of your business. They are more likely to assist those who can demonstrate they understand their position rather than just hoping things will work out as they have in the past.

Never before (and hopefully never again) have your creditors been as important to you as they are during this period. Equally, you are important to them and can expect some good deals to be offered. Remembering their job is to sell you something they may present some seemingly great opportunities. You need to be able to determine whether you can afford to convert that apparent opportunity into reality. Sure, you can take up an offer on the basis of kicking a financial issue down the road in the hope that your financial circumstances will improve over time however, better you are able to at least estimate how long and under what circumstances you will be better off. Again, your existing and projected cashflow should be central to this sort of decision.

How extensive is your network?

In reviewing or pivoting your business model, you should consider the level of importance your trade network plays in determining the overall success of your business. For example, do you focus only on local work or actively supplement this with say, contract installation work provided by other manufacturers? Conversely do you have national brand clients that means you likely contract out installation work? Few manufacturers are an island unto their own, and so rely on a network to provide various components, products and installation work. It is suggested your third set of phone calls should be to at least touch base with the main ones to see how they are travelling and let them know where you are up to. You may or may not have work for them in the short term, however, simply by being proactive, you send a strong message of support. The conversation may also better explain to them the type of client and work you intend to pursue (having reviewed your business model) and therefore the type of relationship you will likely have going forward. No surprise that you will likely also receive a better understanding of where they are at and how well prepared they are going forward.

When you consider it, your existing network will likely also include several possible competitors. In days gone by you may have been reluctant to discuss much with them and certainly it is not suggested that today you hand them over your prices and client list however, there is significant value in benchmarking the performance of your business compared with others of a similar size and market segment.

So where to from here?

You have reviewed your cashflow and adjusted your business model, contacted your debtor's creditors and key network, as well as reached out to at least your (supposed) key clients so hopefully it is all systems go.

In a relatively short period of time you will be better equipped to reevaluate the potential of your business and how you wish to pursue opportunities over the longer term. For some this will be aggressive growth, others regain the previous status quo and standard of living and yet others the realisation it is time to prepare for exit. Whatever the decision, you will be better placed to optimise the outcome by doing the hard yards now. Emerging from this period, while treating your business as an energetic start-up, will give you the best chance of positioning it to allow you to make informed decisions to your greatest advantage and that is called creating … OPPORTUNITY!

Reflecting over the last decade Michael O'Connell and myself have written many articles of business improvements as we did this one. Articles like – *Growth through Communication, 2020 A clear vision, When the going gets tough* – we would like to offer our readers a free copy emailed to them or a free one hour business consultation at our office call John on 0148 161600 or email John@controlzone.com.au