

## Keeping your business afloat during an economic downturn

*Sustaining your business during an economic downturn comes with financial and managerial pressures you may never have had to deal with before. Economic downturns generally occur in cycles. Monitoring your economic environment and that of your industry or sector, will help you to make plans and be prepared.*

You'll likely experience an economic downturn more than once over the life of your business.

The following are four key measures you can implement to protect and maintain your business during an economic downturn.

### Monitor your cashflow.

Diligently tracking your cash flow can help you assess your financial situation and prevent you from spending more than you can afford and going into debt. This can be achieved by:

- A cash flow statement, which tracks the money flowing in and out of your business. This is often used to plan for payment cycles or trends where additional cash is needed. It is a good idea to keep track of government regulations that may affect your cash flow further, e.g. tax and cash flow assistance schemes.
- A profit and loss statement, which lists your sales and expenses. This tells you how much profit you're making and how much you're losing to help you develop sales targets and pricing points for your products or services.
- Cash flow forecasting, which tells you if your business will be able to sustain itself on current cash flow estimates. This will help you avoid cash shortages by allowing you to track whether your spending is on target, plan for upcoming cash gaps, and develop budgets.

### Manage your debt

One way to effectively manage your debt is to keep a prioritised list of your creditors to avoid forgetting about payments and being penalised and fined.

Prioritisation can be done in order of due dates, debt size, or interest rates. If you struggle to meet your debt obligations, contact your creditors as soon as possible to discuss a repayment plan and avoid late fees.

To reduce future debts, negotiate expenses and payment plans with your suppliers, contractors and landlords to see if any reductions are available.

## Create a business continuity plan

A business continuity plan is designed to prepare your business for a crisis such as COVID-19 and continue to operate afterwards.

Business continuity plans typically include:

- A risk management plan that analyses the risks to your business and strategies that can be used to minimise their impacts.
- A business impact analysis that outlines the business' activities and strategies essential to its survival.
- An incident response plan containing the essential information you will need to respond immediately before and after a crisis (e.g. details of when to use the plan, communication plans, and a contact list).
- A recovery plan that outlines the steps needed to get your business running smoothly again after the crisis occurs.

## Network

Networking can help you understand how other businesses are dealing with the economic downturn, as well as act as a support system during difficult times. Actively sharing common problems and solutions will put things into perspective and may provide you with helpful management tips for your business. Networking may also lead you to new opportunities, customers, employees, business partners, and suppliers that other businesses have had positive experiences with, at minimal cost to you.

The best time to monitor what is happening with the economy and plan for an economic downturn is when your business is not under financial pressure. This will help you to make clear decisions.

You can monitor the business cycle by:

- Reviewing current business conditions and sentiments from the Australian Bureau of Statistics
- Contacting business support groups (e.g. Chambers of Commerce)
- Keeping up with business and economic news
- Speaking with your accountant and business mentors.