

## MANAGING YOUR BUSINESS WHEN INTEREST RATES ARE RISING

As the economy is operating in an increasing interest rate environment, it's time to take five steps to future-proof your business' success.

We've had years of historical low interest rates and low-cost increases; these times are well and truly over with monthly rate rises designed to stifle a raging inflation rate which is tipped to surpass 8%.

It's been more than a decade since we had a comparable situation and therefore many business owners are facing these changes for the first time and others have forgotten the prudent steps they have taken in the past to secure themselves from these times.

Therefore, if you manage, own or run a business there are some critical steps you need to consider:

1. Review your business strategy and business plan paying particular attention to:
  - a. Your customers and how they are navigating the high interest rate environment
  - b. The products / services you are providing and whether they are still the best to pursue
  - c. The cash flow impact of the rising prices, delayed payment terms and the overall situation with your business and personal finances
  - d. Your business' forecasts, targets and objectives and how they flow to your teams
  - e. Your Talent Management strategy to retain competent staff and attract great performers
  - Contact Harry Pontikis should you wish to undertake a review of your business' strategy
2. Your Supplier / Subcontractor strategy
  - a. It's time to review the competitiveness of your suppliers
  - b. Review the terms and conditions of your subcontractors and their effectiveness / reliability
  - c. Refresh your supplier and subcontractor database ensuring you have at least 3 of each type
  - d. Consider a different supplier strategy consolidating the work to a few if they commit to better terms, prices or reliability of delivery
  - e. Conduct supplier reviews to test their robustness and vulnerability to the changing economic climate
3. Focus on the best type of clients
  - a. Review margins, profits and success with the various client / project types over the past few years
  - b. Identify the 'best' type of client for your business
  - c. Ensure your team is equipped to handle these clients
  - d. Identify the Cash flow impacts of servicing a different or focussed client type
  - e. Align your marketing strategy to attract these clients to your business
4. Develop a Cost-control culture
  - a. Review your processes and procedures to ensure they are focussed on spending only what's critical to the operations of the business

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- b. Create / refresh the budgets of each department with clear reporting and accountability lines for managers
  - c. Identify Gross Profit vs Net Profit targets to highlight cost burdening functions which don't have a 'Return on Investment' focus.
  - d. Review the business' fixed costs and overheads with a view to run leaner for a period if it doesn't impact the production, sales or ability to deliver of the business
  - e. Consider positions the company can do without replacing for a period and distributing the tasks to others within the team.
5. Focusing on the financials
- a. Ensure financial reporting disciplines are introduced / developed within the business
  - b. Share the financial focus objectives with the management team
  - c. Set up financial safety nets now, in case these be required in the future, e.g., overdrafts, lines of credit, etc.
  - d. Look to free up cash flows by consolidating debts
  - e. Consider alternate funding options to better manage cash flow – e.g., invoice funding

Consider that these are very challenging times and you cannot be expected to identify and manage the additional financial, strategic, marketing and human resource challenges you face. Your first point of call can be to contact Chocolate Money on 1300 137 530 or the Director (Harry Pontikis) via email on [harry@chocolatemoney.com.au](mailto:harry@chocolatemoney.com.au) for guidance on the next steps.