

## Decision making in an economic downturn



In an economic downturn all businesses face challenge and uncertainty but for those organisations that are either new or at the smaller end of the SME scale these challenges can be substantially more significant. Working out what to do, to understand the likely impact of the downturn can be all the harder if, as the owner, you are experiencing recession for the first time or your management systems and functions are still developing.

The old adage, 'what you measure is what you control', is never more apt as you try to understand how your customers, supplier and completion might react and the impact that has on your decision making and actions.

Looking for overheads and other costs to reduce is clearly a necessary activity, but do you have the necessary information to identify unprofitable products and customers. A loss leader when trying to win new business is a deliberate choice. Unknowingly continuing to service a loss-making customer creates unnecessary pressures on cash and staff resource and if you cannot renegotiate commercial terms getting rid of an unprofitable customer can have a very positive effect.

'Cash is king', another adage that stand the test of time. Managing cash is essential. Promptly issuing sales invoices, monitoring debtor balances and making sure they are paid on time and controlling stock levels will each have a major impact on cash availability.

Having timely and accurate management information not only aids control and decision making but will form the foundation for effective forecasting, which in turn allows the impact of different scenarios to be considered and a recovery plan developed.

BCA has extensive experience of helping organisation address the challenges of an economic downturn. If you are concerned that you don't have either the systems or inhouse expertise to produce the management information you need to properly evaluate your options, we may be able to help.