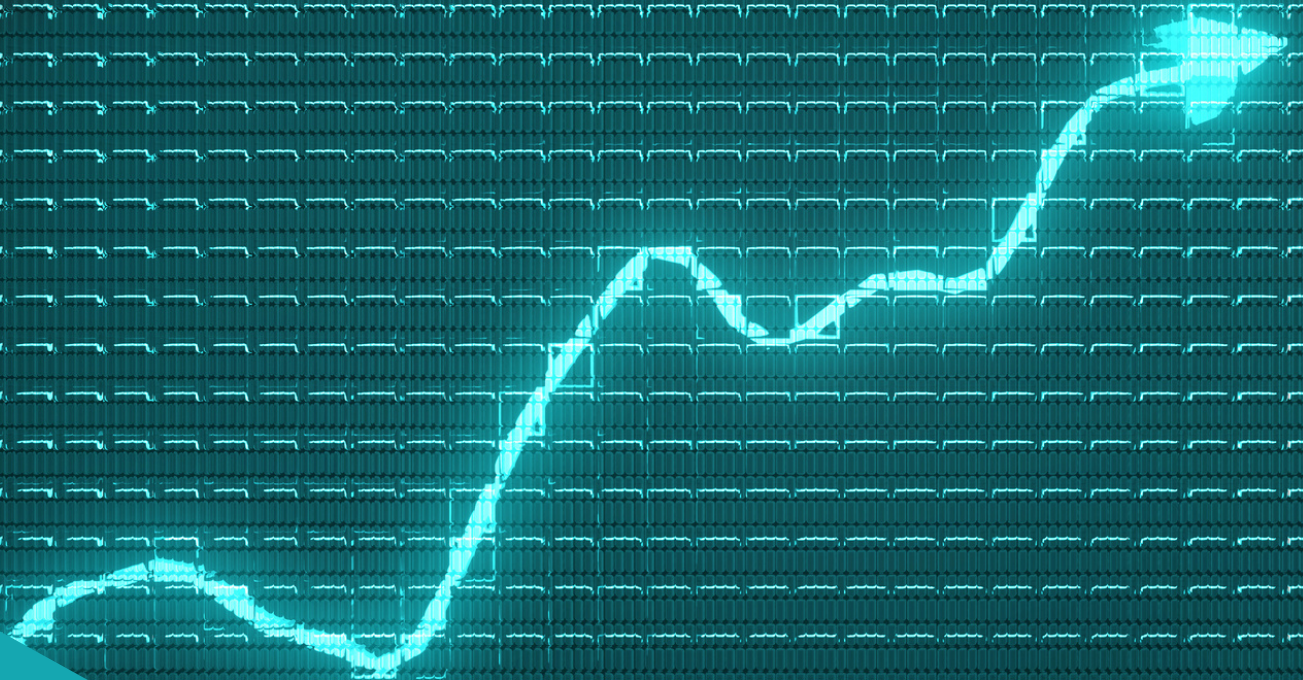




SMEGROWTH
SERVICES



**7 KEY BUSINESS
CHALLENGES in 2023**
and Our Tips for Growth

Do you want to see a revenue and profit shift in 2023?

Australian businesses have faced multiple unique challenges over the last 2 years. It began with Covid 19 and border restrictions, followed by an inflationary environment with higher cost and staff shortages. Most business owners and senior management have not operated in an inflationary business environment previously. The last time Australia battled inflation was in the 70's and 80's. Since then, inflation has not been a real issue and central banks, globally, focused on monetary policies providing cheap liquidity. This is all changing and we head into 2023 with higher operating and borrowing costs, impacting almost all businesses and consumers.

Operating in an inflationary business environment requires a completely different approach than usual. Management is required to be highly proactive and constantly reprioritise and adapt, to minimise operational impact and erosion of revenue and margins.

The current economic conditions are far from ideal and 2023 will bring once in a generation business opportunities and challenges.

I have been transforming, re-energising and turning around businesses for over 30 years. I have helped businesses, large and small, in multiple industries, emerge as profitable, growing and wealthy companies.



Don Robertson
Managing Director
SME Growth Services

Working with businesses in the 70's and 80's inflation, I saw some businesses emerge profitable, bigger, and more competitive, whilst others didn't make it.

There are many important lessons learned, and I would like to share the key 7 ones with you here.

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“Growth is never
by mere chance; it
is the result of
forces working
together.”

James Cash Penney

Navigating 7 Key Business Challenges in 2023

The Business environment in 2023 will be a cocktail of post pandemic impact, staff shortages, higher operating and borrowing cost, and overall persistent inflation. While some of the challenges are likely to be temporary, there are indications of deeper structural shifts across the economy with a longer-lasting impact. From our experience working with clients in many industries during the 70s and 80s inflationary years , we identified 7 business challenges to navigate, in order to ensure profitability and growth

1. Is your strategy and business model still relevant?

The Right Foundation: We advise our clients to allocate the needed amount of time and effort to ensure having the required data, information and preparation to develop the strategy. The economic conditions in 2023 will be unique and it is essential to ensure building on the right foundation.

Relevant Strategy: The economic conditions for your customers, competitors, suppliers and employees have changed in 2023. Your strategy should also follow. Be creative and open minded and avoid using a "one size fits all" approach. An adaptable, specific, achievable and documented strategy, will likely produce the desired outcome.

Additionally, senior management tend to fall in the trap of over-strategizing, which often result in an unfulfilled purpose. We advise our clients to focus their efforts on a 12 month strategic actions plan, with review and adjustments on a monthly basis.

Engagement, Expertise and Insights:

Successfully developing and implementing the right business strategy and achieving desired outcome, requires high staff engagement, clear goals, excellent communication and involving the right expertise. We advise our clients to reinvent the way they engage and communicate the strategy, internally and externally, and across all stages.

We also often find benefits in involving staff from different departments and levels in the strategy sessions. You will be surprised how much valuable strategic insights are available outside the board room.

2. Increased costs and limited ability to increase margins

Inflation brings high volatility impacting revenue, costs and thus margins. Businesses are required to deploy a renewed reporting and forecasting structure, ideally on a weekly basis, to closely monitor and predict changes in levers impacting operations and financials. Additionally, as the economic environment is rapidly changing, we recommend implementing weekly accrual based accounting to assess the real profitability early on and avoid surprises.

3. Supply chain and capacity constraints

Most of our clients have been experiencing supply and demand shocks impacting waiting times, capacity constraints and costs. While the challenges will remain across many industries, we identified 3 steps that could assist in mitigating the impact:

Capabilities: Reassess and mobilise your supply chain team and ensure having the required processes, procedures and IT systems to proactively and efficiently navigate the new supply chain realities.

Data: Segment, analyse and visualise supply, demand and warehouse data to specify priorities and plan required actions.

Scenarios: Model supply chain scenarios and understand where the issues could occur and the operational and financial implications.

4. Labour Shortages

Your staff is your greatest asset, you need an "A" grade team to succeed. Businesses are required to implement a "Beyond the Wage" program to attract, develop and retain talent. We recommend introducing a simple performance based incentive structure along with a professional development plan for employees.

In addition to competitive wages, identify what other realistic benefits to offer your staff. It is also important that management build a specific 12 months plan to proactively train and develop staff based on future business needs.

**Your staff is your
greatest asset.
You need an "A"
grade team to
succeed.**

5. Funding structure and cashflow management

Higher operating and borrowing cost in 2023 will force management to focus even more on cashflow management and cost reduction. Many businesses are facing unprecedented fluctuations in revenue and expenses, impacting cashflow and margins. We identified 3 key components to help in cashflow forecasting and funding:

1. Model business scenarios (Best, Normal, Worst) and identify the implications on your cashflow. Stress test your cashflow model to understand the implications of high revenue volatility and if your current funding structure will be able to smoothly adapt with minimum impact.

2. Assess if your current funding facility is suitable for your business needs from a functionality and cost perspective. Scan the market for other funding providers to reduce cost and maximise the benefits.

3. Implement 13-week cashflow forecasting reports with classification of payment priorities. Ensure a realistic approach to long overdue receivables and if write offs are required.

6. Technology and IT infrastructure - Is your business up to date?

The pandemic has accelerated the IT and digital transition within SMEs. We strongly advise our clients to be serious about embracing and investing in the digital transition in order to stay competitive, relevant and viable. We recommend investing 2 to 3% of annual revenue on IT and digital infrastructure.

We also advise our clients to avoid developing in-house solutions if not necessary. There is a sea of affordable solutions available to help your transition.

In addition, the more your business becomes cloud-based and digitally interactive, the more you need effective oversight of your IT systems.

7. Be decisive - Make bold decisions

Most managers will face some difficult decisions related to nonperforming products, services or business unit. To rescue a problematic part of the business often requires energy, focus and investment. In our experience, many times, a “shrink-to-grow” strategy can be the best business decision.

The inflationary business environment brings fear, greed and once-in-a-lifetime opportunities. Management is encouraged to continue focusing on and investing in growth to emerge on the other side, more resilient, competitive and profitable.



MARKETS CHANGE AND MOVE. KNOW YOUR MARKETPLACE.

– Mark Bouris

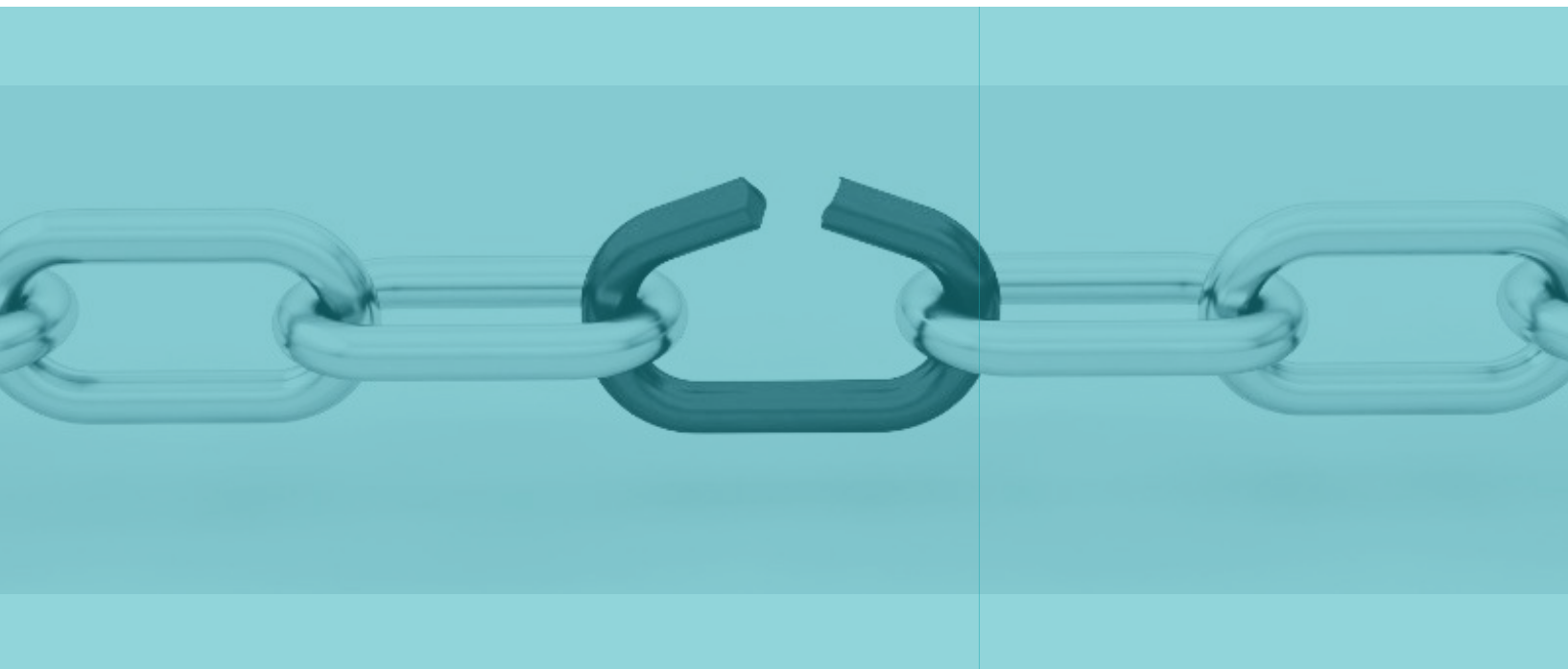
Strengthen Your Weakest Links

Every business is built on 3 linked foundations: Sales and Marketing, Operations, and Finance

Identify which are the weakest links in your business. Deep dive when needed.

Prioritise what is urgent and focus your efforts there.

Build on the strengths of your business and seek assistance for the weaknesses.



THE SALES AND MARKETING LINK

Strengthening your Marketing is an avenue to bring in new leads. Leads converted become new customers (sales).

Below are some of the social media platforms where you can build the online presence of your business.

LinkedIn: This is an effective way to connect B2B. It is a way to connect with your current and potential business partners and current and prospective team members.

Facebook: Facebook is a popular and easy to use platform. It can also be a powerful resource for connecting with potential customers and employees.

YouTube: YouTube is designed to host videos. If you have videos about your business, this is the perfect platform to feature them.

Instagram: Instagram is a highly visual platform and is a great place to display photography of your work, people and business culture.



THE OPERATIONS LINK - FOCUS ON DAILY EXCELLENCE



THE FINANCE LINK



Ensure having **Accurate, Timely and Accrual-Based** Accounting reports reviewed by the leadership team on a periodic basis, ideally weekly.

Deep Dive and Analyse Margins per customer, per job, per site, per lane.

Communicate, Engage and Involve relevant business functions in business financials performance.



**“WORK HARD,
TAKE ACCOUNTABILITY
FOR EVERYTHING YOU DO
AND SURROUND YOURSELF
WITH GREAT PEOPLE. ”**

– Janine Allis

CASE STUDY

National Freight Transport and Logistics Provider (Major Transport Depots and Warehouses in all capital cities, 150 staff + subcontractors)

**80% GP
Improvement**

**300%
Higher NP**

**Strong Cashflow
Generation**

**Increased Team
Engagement &
Collaboration**

**600% ROI from
our fees**

GROWTH

- Targeted and customised growth strategies by branches and separately for Warehouse & Transport business units
- Simplified business model focusing on growing Gross Profit and minimising unprofitable customers
- Standardised Sales Department, Sales Management, formal sales processes, CRM implementation. Implemented rebranding of the business, new website, use of videos and LinkedIn

OPERATIONS

- Introduced productivity KPIs across the business, utilisation, load factor, and performance incentives
- Commenced fleet renewal program
- Overcame major lost pallet problem with enhanced processes and strict disciplined daily control lifted
- DIFOT to industry leading service level
- Filled gaps in services across the country
- Ongoing inhouse Software Development

FINANCIAL

- Established accurate financial accounting and reporting right numbers
- Separated transport and warehousing into 2 business units each with its own profit and loss reporting for focused strategy and management
- Established weekly P&L with full accrual accounting by business unit and by branch
- Established standard Financial and pricing processes

LEADERSHIP

- Strengthened the leadership team and fostered a spirit of collaboration
- Instituted weekly management meetings with all department heads with full financial transparency and training
- Developed strong accountability through all levels
- Implemented monthly Advisory Board meetings, quarterly strategy reviews and update sessions

Other Engagement Examples

Industry: Construction

Location: Canberra, ACT

Business Size: 5M Ann.

GP Improvement
8% to 25%

Improved Bottom Line
-15% to 13%

Positive Cashflow
Cycle

Doubled Revenue to
10M Ann.

Issues:

- Negative cashflow cycle. Lack of cashflow management and forecasting
- Unprofitable projects, poor site supervision and management
- Absence of business strategy and overall unclear roles and organisation structure
- Unclear and undocumented processes and complete absence of technology usage
- High rate of defects and quality issues, impacting efficiency, profitability and reputation

Actions:

- Implemented a 13-week cashflow forecast and a creditors management plan
- New organisational structure developed with clear roles, responsibilities and incentives
- Built a specific 12 month growth strategy focusing on profitability
- Strict site management procedures including site performance KPIs and daily reporting
- Conducted a project management training program for key staff

Industry: Security

Location: National

Business Size: 20M Ann.

GP Improvement
16% to 27%

Bottomline Transformation
-10% to 8%

Consolidated &
Simplified Business
Structure

25% Revenue Growth
in Profitable Market
Segments

Issues:

- Complex business structure with unclear organisational roles and responsibilities
- Continuous losses and cashflow issues in some companies impacting the Group financials
- Lack of clear strategic direction and growth targets
- Business losses resulting in substantial ATO and suppliers debt
- High operating cost and operational issues impacting efficiencies and service performance

Actions:

- Complete operational and financial restructuring and simplified business model
- Clear and focused strategy – exiting unprofitable segments of the business
- New organisational structure with focus on accountability and leadership
- Building daily operational excellence capabilities across all levels – focus on technology
- Weekly and Monthly KPIs monitoring and reporting

ABOUT US

When you want to grow and improve your business, our 40+ team of experts can help with the heavy lifting.

We are a national Business Consulting and Professional Services company. We provide a full range of professional services, such as Management Consulting, Management Accounting, Bookkeeping, Administration, Operations Management, Software Development, Marketing and Sales.

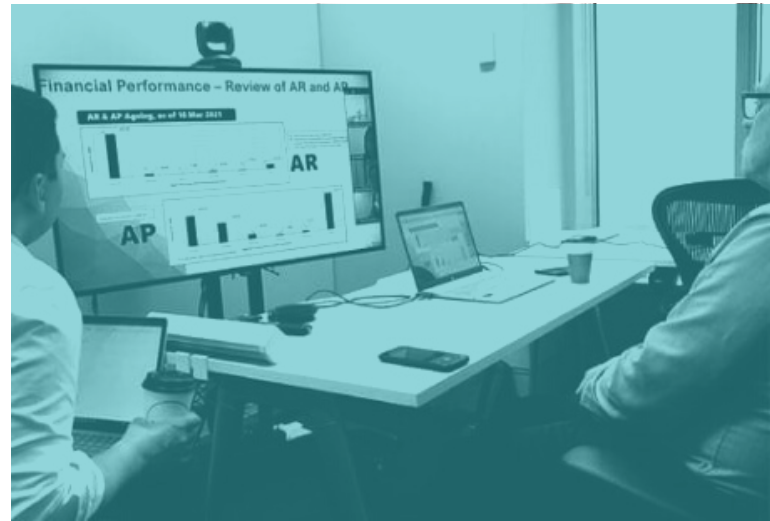
We proudly execute up to 300 Transformational Initiatives annually for our clients with the following outcomes:

Up to triple revenue growth within 12 months of engagement.

Quadruple Net Profit margin improvement within 24 months.

Reduction of Direct and Indirect costs up to 20%, within 12 months due to cost restructuring, solid cost management and higher productivity.

A current client has a 600% ROI from our fees.




We partner with Small to Medium businesses, to provide practical and value adding expertise. This enables businesses to navigate difficult and competitive business environments, and thrive.

WHAT'S NEXT?

TALK TO US



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