

Business executives should take every precaution now

Economists foresee a recession and changes in industry structure. What's needed is a far-reaching action.

LONDON, UNITED KINGDOM, December 14, 2022 /EINPresswire.com/ -- Companies are entering a time of high uncertainty. Business as usual and hoping for the best won't be enough. What's needed is a far-reaching action.

So, what precautions can small business owners/CxOs take now?

[Marek Niedzwiedz](#) from [Your Non-Exec CFOx](#) advises creating or improving Financial Warning System. He says "most companies see problems too late. Why? Businesses generally track revenues and costs but not cash flows or balance sheets. Ignoring growing inventories, delayed collections, the growing cost of capital etc. is quite common. Companies also rarely look into their balance sheets as a source of funds."

Solution - Mr Niedzwiedz advises "redesigning/creating a proper planning function and monthly (preferably) or quarterly reviews to analyse all three views of a business: the P&L, the BS, and CF. Understand where revenues are most vulnerable and what a decline in sales would mean. What costs are at risk? What assets will be affected? What signs will alert the business owner/CxO?"

Marek also highlights the importance of working out how a business can maximise cash generation. "When times are tough, cash is king. Therefore, look for working capital management initiatives. To improve cash generation companies change things such as how they manage payables, receivables, inventory or distribution. Add to cash by drawing down lines of credit. Scrutinise what's on a business balance sheet. Is it better off owning machinery, and cars or renting them? Are IT assets in the cloud? By outsourcing assets or processes, a business can turn fixed costs into variable ones which are far more efficient in difficult times".



Marek Niedzwiedz from Your Non-Exec CFOx

Mr Niedzwiedz is adding - "businesses should know how they drive value and where they don't. Does the CxO think about revenue forecasts? Most budgets predominantly look at costs rather than at revenues. To improve that, a business should focus first on its key customers, with whom they should be having regular conversations. On the expense side, identify how, when, and by whom every change in revenue will be made. It can also add more value to revenue planning by analysing customer profitability; often c.20% of customers are actually losing money."

These are just a few measures highlighted by Marek Niedzwiedz that will prepare any business for tough times. Even if the recession doesn't come, we will have stronger and more sustainable businesses ;-)

Mark Bear
aeXea Capital Media Department
media@aexea.capital
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