



Clean up your financial act

● Business turnaround specialist Michael Fingland, managing director of Brisbane-based consultant Vantage Performance, is hearing from business owners who are worried about their ability to hang on, despite the recovery. And with good reason. "It's going to be tougher to survive in the next couple of years than it was the last couple of years," he says.

Fingland argues that many inefficient or underperforming small businesses that normally would have been weeded out of the economy by

recession were able to hang on this time because of the federal government's economic stimulus package in response to the global financial crisis. With stimulus cash no longer flowing through the economy, these businesses find themselves with their poor business practices intact, an abundance of competition and a credit squeeze that is starving them of desperately needed funds.

"Banks used to be a lot more supportive of small business, but they've been

rationing their lending to small business for the last two years and that's likely to continue," Fingland says. Banks prefer lending to home buyers rather than small businesses – they believe mortgage borrowers are less likely to default, he says.

Another factor likely to limit lending to small business is the European sovereign debt crisis and faltering national economies.

Fingland says the exposure of European banks to a second wave of financial crisis will reduce sources of funds to Australian banks, which will be mean even less capital available for small-

business borrowing and higher interest rates.

Inefficient businesses may yet be weeded out but Fingland says good businesses that "got lazy" during the good times and allowed sound business practices to fall by the wayside can take steps to make themselves more attractive to banks.

He says turning around an underperforming company usually starts with the basics, such as setting up financial controls, cash flow management systems and performance indicators to define and measure a company's progress towards its goals.

"Given that funding is

going to become scarcer, a business has to be able to present evidence to a bank that it is well managed and less of a risk than other companies."

Conventional marketing wisdom that a business needs to stand out from competitors if it is to attract customers now also applies to attracting the interest of banks.

"It's always been important for businesses to articulate their point of difference, to set out what sets them apart from the crowd," Fingland says.

"If you can't work out what your point of difference is, the banks won't be able to either." Leo D'Angelo Fisher