

## **SMALL BUSINESS CAN FLOURISH IN A DOWNWARD ECONOMY**

During an economic recession or downturn, small businesses are often hit the hardest. Budget constraints, reduced spending power and inadequate preparedness for a recession can make it impossible for a small business to survive. Some industries are affected more than others, and typically luxury services suffer first as both business and private customers cut back on spending. IT Accounting Company, Osidon, says it is possible for small and medium enterprises to flourish within a downward economy. Chief Executive Officer, Hennie Ferreira.

'In many cases an economic downturn causes companies without adequate support to be unable to continue operating. In other situations, however, small businesses show remarkable flexibility and find creative ways to survive a downturn,' he says.

President Cyril Ramaphosa's efforts to revive Africa's most advanced economy were dealt a blow last week when data showed gross domestic product had contracted by a quarterly 3.2% in the first three months of 2019, the largest contraction in a decade. Ratings agency, Moody's, subsequently lowered its forecast for the country's 2019 economic growth to 1.0% from 1.3%. Moody's is the last of the big three international credit firms to rate South Africa at investment grade. There are also suggestions that South Africa could move into another recession. Ferreira says many companies are struggling due to the current economic climate.

'A recession or downturn is especially tough on small and medium enterprises. They struggle with issues such as reduced cash flow, loss of demand if customers reduce their purchase amounts and marketing constraints. At the moment many companies are closing down and in some instances, staff is being retrenched as part of measures to weather the storm,' he explains.

Ferreira says when an economic crisis is looming, business should maintain a 'back to basics' approach. He says by implementing these business basics will allow SMME's not only to survive but to flourish.

'The first step might sound like a cliché but it is full proof. You need to distinguish yourself from your competitors and the way you stand out from the crowd is through value add. You need to determine how you can add more value to your service offering and customer service. This will attract far more clientele than spending time on a fancy logo or office space,' he says.

Ferreira says Osidon has made use of this fundamental principle by distinguishing itself as the frontrunner in the accounting industry. The company is the world's first online digital accountant, revolutionising the accounting industry, by pushing the boundaries and rethinking traditional methods at a third of the industry price.

'The question you need to ask yourself is, am I just another business? Another plumber, another electrician or another attorney? Or am I THE business. You need to go back to the drawing board to make sure that you are in fact the best in your industry.'

Ferreira says the other equally important aspect of ensuring a flourishing business is sales.

'Business people are sometimes too focussed on branding and marketing and they fail to pay enough attention on the sales aspect of the company. The fact is, you can have the best product in the world but if you are not selling it, there is no revenue and you don't have a business. If you have the worst product in the world but you are selling it, then you are still generating revenue. If you are still fine tuning your product, you will be able to generate sales that you can use to improve your service offering. There needs to be a definite sales strategy in place,' he says.

Another important element is continuous improvement and growth.

'A feature of a flourishing business is the fact that they are growing. During an economic crisis the growth will be slower but there will be systematic progress. It is therefore important not to

remain in your comfort zone, you need to actively ensure that your business grows with continuous momentum.'

Ferreira says continuous improvement is a mind-set and needs to filter through the entire structure of the company. He says being able to adapt to changing circumstances is critical.

'We live in a society where technology is infiltrating all areas of society including business. If you don't adapt or adjust to the ever changing environment and customer demands, you will run into further challenges. Take time to analyse changes such as technology and how it impacts your business so that you can adapt and thrive.'

Ferreira has also highlighted the importance of compliance. Describing it as a silent killer, Ferreira says the lack of due diligence could sink flourishing companies.

'Business owners tend to think you can deal with compliance, which includes accounting, tax and payroll, at a later stage. Your compliance needs to be 100% correct from day one. Currently many companies, built on fantastic business concepts, are in the process of being liquidated because debts piled up over the years due to mere ignorance. This will be the death of their businesses,' he says.

He says it is important for business owners to understand the basic requirements of compliance for their specific industry. Ferreira says Osidon is committed to help the business community finding their way through the maze of red tape and compliance through innovation.

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