

We Live in Interesting Times

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Welcome to 2015, and it is certainly going to be an interesting year if the first month is any guide.

In our first article of the year, (WSBA, Jan 2015, Reading the Economic Tea Leaves for Small Business for 2015) John Burke looked at the various economic indicators that a small business should be aware of when they consider their planning for the year. These are all very important but only form a component of what a business must be considering. The other significant aspect that must also be remembered is that things can and will change.

Late last year, in my capacity as a director of a not for profit, I was asked to attend an economic forum that was put on by one of our national “*four pillars*” (the major banks). The most interesting part of this presentation was the fact that it was represented in summary by our external accountant and almost four weeks later to the Board as a whole. When the entire presentation was revisited, it was truly eye-opening to see how far out the predictions on both the Australian dollar and the fuel price had actually been.

The original predictions were by no means outlandish or maverick and were probably shared by many of the industry’s pundits, but the passage of a short period of time (one month basically) had seen the whole scene change almost unpredictably. Both of the predictions had been higher than was actually the case.

For all those that had based their plans on those predictions, they were now experiencing a significantly different reality. Taking the fuel price as an example, for those that used the predicted value and bought fuel, they are now seeing an improved environment because their costs will obviously be lower and the difference should be reflected at the bottom line. Alas, for those selling (and the government taxing) the impact is the reverse and the change, if significant to the organisation, may well be something that will trigger concerns or even collapse.

Change is consistent and often less predictable than we thought, but by the judicious use of contingencies and buffers, those running businesses can build in some greater degree protection and survivability. What is imperative in this however, is to keep a distant watch and not just a local one. In the first month of this year there have been some significant events in Europe that have the potential to be very significant indicators for Australian businesses.

On the January 15th the Swiss central Bank disconnected its currency from the Euro, meaning that it no longer stands at the same value as the Euro. This is effectively (potentially) the first step in the break-up of the European economic zone, and most importantly represents a real issue for anyone that is dealing with the Swiss currency rather than the Euro; remember the Swiss loans of a number of years ago.

Subsequently we have seen the election of a clearly socialistic, anti-austerity government in Greece who will effectively place a second level of pressure on the European community. Their intent will be to spend and seek to promote growth with little regard for where the money will need to come from. This will be seen as a bitter pill for other parts of Europe to swallow.

Importantly, we all need to watch these events closely and consider how it affects us as individual businesses, possibly immediately due to our direct dealings with these countries, or possibly not at all, unless of course it impacts the whole world economy.

Regardless, it is the vigilant business person that will succeed in the long term, the one that is in front of the pundits and the one that plans for the unexpected. If we all get into the same leaky boat, then sooner or later, we will all end up in the water!

Might be time to have a quick review of our plans, no?