



## Business Insights

November 2010

### Getting ready for spending cuts

**UK SMEs should take assertive action in coping with the recently announced spending cuts.**

Few UK businesses will escape the ripple effect of the announced cuts to public sector spending. Taking £billions of spending out of the UK economy will undoubtedly have both direct and indirect effects throughout the supply chain - from the top down to the consumer and back up again. Those who anticipate and act quickly to address the implications of the cuts are likely to be the fittest in the battle for survival and longer term prosperity.

#### Take action now

This is the time to take action. A proactive attitude is the key and there are a number of essential steps to take with any business in distress in order to maintain stability. It is essential to fully assess and review cash flow and keep a close eye on credit. It is necessary to monitor the impact of the cuts on key suppliers. Be firm with your own customer base, do not continue to supply without payment as agreed as this could increase your exposure.

#### Worries about credit

Try talking to funders and attempt to work out a survival plan in order to stabilise the business. Be quite clear about where additional funding is required and what security can be provided. It is wise to remember that the majority of business competitors will be facing similar problems your competitors will face a similar position and not all will escape unscathed. However, if the business is able to withstand the initial impact, competitor fallout could well present opportunities.

#### Act now, don't delay

It may be surprising but a large proportion of businesses have not yet conducted a business review but have adopted a wait and see attitude. Sadly, this will not protect businesses at all and it is necessary to seek early advice. A financial crisis waiting around the corner is unlikely to go away and could lead to failure of the business.

### Action needed on EU red tape

**The overall cost to business of EU regulation is a staggering €123.8 billion a year.**

In 2007, the European Commission presented a far-reaching action plan to reduce unnecessary regulation in the EU by 25 per cent by



2012. Despite the support of the Commission, Parliament and Council very few of these proposals have been implemented and the EU has continued to legislate with renewed fervour.

#### Failing to deliver

Small businesses are calling for action, not more words from MEPs and Commission officials, time to deliver. In the EU, every year 1.7 million businesses fail and over 50 per cent of these businesses cite the regulatory burden as a significant factor.

#### Unfulfilled promises

The EU have a long history of making promises which simply never materialise. In the current economic climate, the first priority should be making it much easier for entrepreneurs to start businesses not placing every obstacle known to man in their way. Just consider, if just half of the EU's small to medium sized businesses were able to employ just one additional person, over 10 million jobs could be created. There again, that is lateral thinking!

