

LR SME Wire

A QUARTERLY PUBLICATION BY LOYAL RELIANCE

JULY - SEPT 2012 EDITION

WWW.LOYALRELIANCE.COM



THE CRISIS EDITION

Handling & Understanding it

CRISIS: WHO, WHERE, WHAT, WHY!



WHO

2012 had been nicknamed the year of uncertainty. How has your 2012 been? Has the high and increasing inflation rates been exhausting your business and resources?



WHAT

Crisis as defined in the Oxford Dictionary translates a condition of instability. In this edition of our newsletter, we will be discussing about the impending crisis that had been happening during the first half of the year and how to be ready to weather the crisis.



WHERE

The current European Debt Crisis had been glooming over the economy for the past two years and the situation seems unlikely to improve. Instead, numerous European nations are experiencing recession. Cyprus and Spain are already following into Greece's footsteps requesting financial aid from the European Union. The Singapore market in Europe worth hundreds of millions are also at risk, with Singapore export figures by region dropping plunging from 16.4% to 5% in 2010 in 2011 respectively.¹ At present, we do not see Europe having any solid plans to save itself.

China's economy is also slowing down with a drop in GDP in the first quarter of the year which is within our expectations. Internally, China too is facing credit tightening.

According to Reuters, Chinese small and medium-sized enterprises are having difficulties obtaining loans from banks. In fact, it has become a common culture, for SME owners in China to seek non-regulated financing. Wealthy business men are carrying out underground lending with exorbitant interest rates of above 60% per annum and this amount is estimated to be USD \$2.4 trillion. Singapore, on the other hand is experiencing high inflations. In the month of April, inflation peaked at 5.2%, higher than initial estimates. The high inflation rates indicate a rise in consumer prices and thus, decrease in purchasing power. It may be too early to tell, but if inflation continues to rise, we can probably expect hyperinflation in Q1-Q2 2013, signaling a potential recession looming.



WHY

With all the outstanding issues around the world, we expect tough times are ahead. Banks and financial institutions have no choice but to tighten credit policies to manage their risks. As such, business owners have to seek creative solutions of their own to remain sustainable.

Business owners should therefore secure themselves with all the resources and facilities that are available currently. Do not despair and stay focus during tough times!

¹Department of Statistics Singapore, <http://www.singstat.gov.sg/stats/themes/economy/ess/aesa62.pdf>



CRISIS MANAGEMENT

for Businesses

IN THIS ARTICLE, WE WILL BE TALKING ABOUT HOW TO GO ABOUT SALVAGING YOUR BUSINESS WITH CRISIS MANAGEMENT. IT IS A PROCESS OF RESOLVING THE ISSUE/ ISSUES OF YOUR BUSINESS WHEN IT MEETS WITH A MAJOR SETBACK THAT THREATENS THE OPERATIONS OF YOUR COMPANY.

Below are some tips and advices to smolder any crisis you encounter along the way.

Damage Control

It is with vital importance that business owners determine the root of the problem and to contain it, upon encountering a crisis. Containment will lessen the impacts of threat mainly in terms of your company's reputational and financial losses. Come up with a business contingency plan to address the issue that is causing the crisis. Do not be afraid to administer new and drastic changes. Needless to say, do not implement measures that are over the top which you have no control as this will only add on to your woes.

Cash Flow Management

This is the most critical aspect as it is the lifeline for every business. It largely determines the possibility of any turnarounds. Encompassing excellent cash flow system with staff monitoring, proper accounting systems and even cash flow management specialist allow owners to have accurate and timely information to make sound decisions.

Ideally, your business should have sufficient reserve to be capable of running during any crisis.

Engaging help

Professional advisers have the experience to assist and guide you through this difficult period. No doubt that consultation fees may mean higher expenses, the advisory they provide may be essential to your business in times of crisis. A good consultant would be able to come up with a detailed analysis of your company's position, identify root causes of the crisis and offer effective recommendations. However, it is of great importance to implement necessary measures within your means while weighing the potential benefits that the change might bring. Resources are scarce during a crisis and should be maximized at all times.

Business Recovery & Learning

The survival of your business during a crisis will allow owners to understand the importance of good management practices, business continuity planning and having a contingency plan that is vital to the business during tough times. Learning opportunities and business improvement methods picked up along the way will further strengthen your business.

Small businesses will be more likely to be impacted during a crisis, as they have significantly lesser resources compared to larger entities. However, small businesses are more nimble to turnaround given the size of company with lesser layers of hierarchy and faster decision making. Hence, it is with importance that SME owners prepare for rainy days ahead by formulating a crisis management strategy to ensure that the continuity and sustainability of the business.



OVERCOMING CRISIS

AYS Building Contractors Pte Ltd

Incorporated in 2006, co-founders Mr Sanmugam Murali and Mr Yeo Sing San share their story on how they transformed a company with humble beginnings to securing major projects with established organizations currently. With assistance provided by Loyal Reliance, AYS Building Contractors is now moving forward, pushing to be the main contractor in the private sector.

LR: Please share with us some of your past experience regarding crisis you encountered throughout your business.

AYS: The 2008 financial crisis put tremendous pressure on our cash flow and this had largely impacted the running of the whole business due to the limited resources we had on hand. The company was facing a major drop in revenue due to the recession. The slowdown in business, rise in cost of raw material and shortage of labor were beginning to take its toll on the business.

LR: How did you go about overcoming these issues above?

AYS: We understood that the main reason causing all the setbacks was due to poor cash flow management. Being conservative, our banker was also unable to support us during those tough times. Hence, we decided to engage professional business consultants, to provide feasible solutions. Loyal Reliance educated and guided us to take advantage of government schemes which were relevant to our business. This was our main form of 'aid' during those difficult periods. We were also advised to restructure our accounting

procedures, which were in a mess. With LR's support, we have since kept proper management of accounts allowing us to better monitor our account balances. We also learned the importance of having discipline in repaying loans punctually as part of relationship building with banks.

LR: What last advice would you give business owners amidst the current unstable market conditions?

AYS: It is good for business owners to engage business consultants as they experts in their field. Sometime we owners do get lost in the running of the business that we are not able to see the entire picture clearly. Also, take up any assistance which are available be it government incentive schemes or any financing made available. Inflation rates are increasing, standard of living is going up, cost of labor and raw materials are also escalating. Do not wait till the last minute as it may be too late to salvage the situation then.

LR: It is of great pleasure that you are willing to share so much with us today. We wish you greater success of your business!

AYS: You are most welcome!



Loyal Reliance Pte Ltd
14 Robinson Road #06-02
Far East Finance Building
Singapore 048545
www.loyalreliance.com

Business Financing | Business Grants | Corporate Services | Business IT Solutions

Your Reliable Partner for Growth

