

# African businesses must predict cashflow during crisis

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The modern world is facing a unique and unprecedented time. Lockdown and social distancing measures have been introduced across the globe, with South Africa implementing some of the strictest regulations.



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The nationwide lockdown, in a bid to curb the spread of Covid-19, resulted in the business confidence index falling to its lowest level since the South African Chamber of Commerce and Industry started it in 1985.

Covid-19 has had a profound effect on all aspects of business operations, from the supply and demand of products to logistics, profitability, and cash flow. Many businesses have been unprepared for the event of downtime, yielding an unstable cash flow which can make business extremely vulnerable. Even businesses that were in good financial shape before the pandemic are suffering.

QuickBooks conducted customer research into the current landscape of South African small and medium-sized businesses (SMBs) to explore what they need the most to survive during the current crisis.

The research revealed that respondents claimed to feel unprepared for the severity of Covid-19's impact on SMBs — when

asked what they need the most right now to help their business survive, respondents identified being able to predict and see their cash flow and getting paid as three of the most important factors.

Here, we'll take a look at how SMBs can predict their cash flow and plan their business to survive for the long run.

### **Cash flow is like oxygen to business**

QuickBooks reported that 38% of South African SMBs have or are currently laying off employees and 49% are planning to. Certainly, cash flow management needs to be an integral element of a company's overall Covid-19 strategy - how can you pay your workers and run your business without money? An additional 38% of SMBs are looking to change their business by predicting cashflow.

### **Business software and operations**

Both the pandemic and QuickBooks' research have highlighted how important business software is to adapt to the current situation, with respondents recognising software as a valuable asset in supporting operations during lockdown — maintaining it whilst cutting down on other non-essential expenditure.

With it being incredibly important to predict your cash flow with financial forecasts, available funds can be assessed through the right technology and software in real-time with up-to-date financial information including income trends, gross profit margins, outgoings, and the general trend of your businesses position in the current climate.

Cash flow disruptions, including small gaps, can spiral into additional fees, delayed payments, and other damaging results for your business. SMBs are increasingly turning to technology because of their faster turnaround and integrating online processes is made possible with accounting software.

Recent research found that cash flow was a primary concern for South African SMBs, with 91% having late payments in 2019. Additionally, with supply chain contracts being abandoned across the world, tracking your incomings has never been more important. QuickBooks reported that South Africa has had the most supply chain disruptions, which may result in lower confidence on their future across the board.

It will also give you, as a business owner, the means to plan in a disconcerted market. Things won't be going back to normal soon, so planning accurately for the next year will help you sustain your business without frustration and with ease.

### **Remote systems**

Furthermore, 30% of SMBs would like to see everything in one place, 59% have increased their usage of online tools such as video conferencing and digital marketplaces, and 32% are planning to do so, with respondents recognising telecommunications software as one of the most important assets to their business during the crisis.

Communication and cloud software is integral to smooth out your business' operations - remote working systems were starting to revolutionise the workplace, with large tech firms being the first to integrate it on top of existing processes including data storage, access to important tools, and instant messaging. For example, Microsoft Teams is a one-stop-shop for all communication, including messaging, voice and video calls with large groups of people, file storage, and document sharing. Goldman Sachs predicted that spend on remote systems would grow at 30% from 2013 to 2018, however, this was revised and increased by 20% to account for the fast adoption of cloud systems.

Although not all businesses had adopted remote systems prior to the outbreak, those that had quickly realised its benefits and could seamlessly migrate to cloud-based working without affecting their profits, remaining competitive and keeping a fast-paced remote work environment for all.

If your business hasn't integrated business and telecommunications software, consider starting now to avoid being left

behind.

It's important to prioritise the most important things to help strengthen your business — don't underestimate the importance of cash flow and consider investing in tools and software to help define and support your plans.

## ABOUT THE AUTHOR

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