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Future-proofing tactics: How small businesses plan to stay agile

in [Growing](#) by Nigel Bowen

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There are a variety of reasons a shockingly high percentage of businesses never make it to the five-year mark, but one of the major causes is a failure to prepare for the future.

While it's tempting to laugh at famous businesses (such as Kodak) that signed their own death warrants by refusing to acknowledge the world could change, nobody has a crystal ball and it's easy for time-poor business owners to either fail to future-proof or go

about it in a misguided way.

American Express engaged Galaxy Research to survey over 1,000 Australian small business owners (with turnover less than \$2 million a year) and discovered the following.

Future-proofing works (in general)

Business owners who give some thought to what the future might hold typically do better than those who don't. Around three-quarters of those surveyed said they'd taken steps to future-proof their business over the last 12 months, suggesting Australian small business owners are farsighted and prudent.

There's no one 'right' way to future proof

The survey found business owners tried to future-proof in the following ways:

- 51 per cent reduced their expenditure.
- 24 per cent improved their product or service offering.
- 17 per cent took steps to improve cash flow.
- 16 per cent improved their marketing campaigns.

Offence works better than defence

While reducing expenditure is the most popular option when future-proofing, it also seems to be the most counterproductive. Of those businesses that cut their costs, 65 per cent actually saw a reduction in profits. In contrast, 34 per cent of businesses that improved their product/service offering improved their profitability, as did 25 per cent of those that implemented or improved marketing campaigns. Working on improving cash flow also improved profitability for 26 per cent of the business owners who tried it.

Judging by the survey's results, the old saying about needing to spend money to make money is as true as it's ever been.

You should act like an inexperienced business owner when future-proofing

Given that, by and large, established businesses fall into the trap of protecting what they've built up rather than chasing after the "next big thing", it's unsurprising that the survey found those who'd been in business for less than five years were more inclined to throw money at marketing and providing a better product or service, while those who'd been around longer tended to opt for cutting costs.

As with any statistics, those generated by this survey should be interpreted sensibly. For example, while cutting expenditure more often than not reduces profitability, if your costs are spiralling out of control it's vital you do something about it. Likewise, throwing money at marketing – especially poorly-executed marketing – isn't going to magically guarantee the long-term future of your enterprise.

Nevertheless, in a financial year in which a federal election will be held and both the mining boom and Australian dollar seem certain to weaken, the survey's results are a good starting point for thinking about how you can make the most of what promises to be an eventful 12 months.

Source:

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Galaxy Research, May 2013 – Conducted online among a representative sample of 1,003 small business owners with an annual turnover of up to \$2 million.

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