Cultivating a commercial mindset

How to maximise revenue opportunities during economic uncertainty

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Combat uncertainty. Think commercially.

As a rule, when we talk about managing revenue during economic uncertainty, we focus on the risks – but what about the opportunities?

Macroeconomy uncertainty can put pressure on profit margins. Meanwhile, revenue mismanagement at this time can cause revenue streams to be lost, spending to be paused, and reliable cash flows to dry up.

Yet economic instability brings opportunities for effective revenue management, too.

By cultivating a commercial mindset, CFOs and finance professionals can maintain (even increase) profitability in the face of challenging conditions. Moreover, times of economic stress offer a chance for finance professionals to demonstrate real and long-lasting value.

In this paper, we'll reveal seven ways finance professionals can maximise revenue opportunities, including fostering a strong commercial culture. We'll also look at cash flow management, working capital management, refinancing and more, before exploring what it looks like when revenue management is done well.

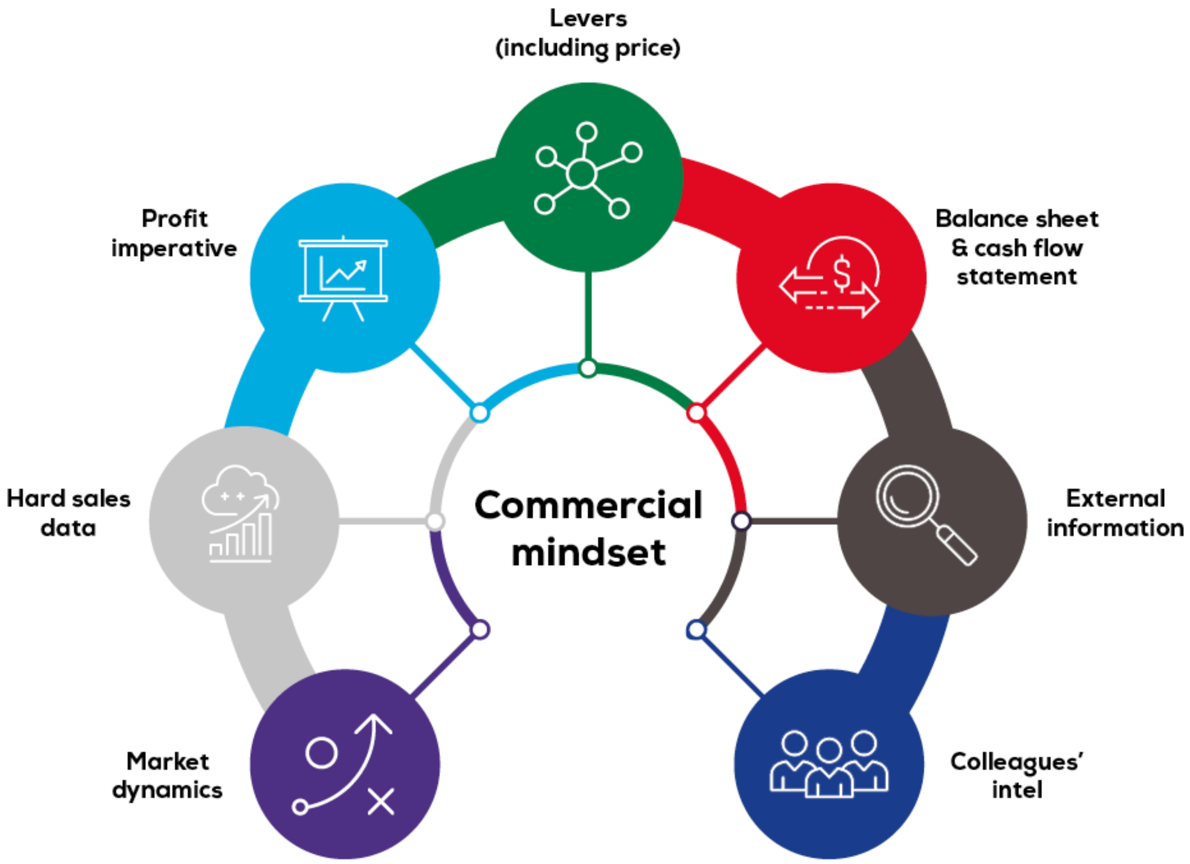
7 ways the finance team can cultivate a commercial mindset

As a Chartered Accountant (CA), commercial awareness forms part of your ongoing professional development, and good business acumen helps finance professionals to add value, spot opportunities, and contribute to an organisation's success. During periods of economic instability, however, the stakes are raised. This is when your commercial ability can make or break your organisation's ability to survive – or thrive.

How can CAs cultivate a commercial mindset?

1) **Supplement the P&L:** Profit and loss (P&L) statements are a vital source of information, but on their own the items in the P&L (i.e. revenues, costs, and expenses) won't provide forward-looking insights.
   "The P&L is a lag indicator; it tells you what has already happened," explains Dr Aneesha Varghese Cowan CA, Managing Director of Global CFO Solutions. "If you really want to shift the dial you have to look ahead.
   "To this end, supplement the P&L with the balance sheet and cash flow statements, and then share this information with P&L owners/business units. That way, all stakeholders can see where revenues are most susceptible, and what a drop in demand could do."
2) **Seek forecast help from further afield:** Add to your forecasting by seeking information from sources outside of your organisation. Think: Treasury updates, RBA/RBNZ announcements, major bank forecasts, independent researchers, economic journalism, and more. All add insight, so read widely.
3) **Employ people power:** Your greatest asset is your people. Leverage your relationships with internal colleagues, especially those in sales and operations to gain deep insight into your organisation's performance (including where you can grow and scale), as well as the broader market outlook.
4) **Keep one eye on market trends:** Speaking of the broader market, look to overall market dynamics, customer preferences, shifts in demand, and the experiences of competitors to identify trends and cast a vision forward.
5) **Keep the other eye on hard data:** At the same time, don't be *too* reliant on trends. Post-pandemic, markets are still finding their 'new normal', so overlay any observations around trends with hard data from your sales team.
6) **Maintain a laser-like focus on profit:** Above all else, keep profit margins in your sights, and communicate this profit imperative to the organisation. All stakeholders should have a clear understanding of profit pressures during uncertain periods, including the impacts of inflation.
7) **Look at all levers not just price:** Revenue recovery doesn't start and end with adjusting price (although, this is one element). From diversifying your offering to tweaking minimum model quantities/product sizes, there are plenty of levers at your disposal.

Commercial mindset



Checklist: How can CAs foster a strong finance culture?

Cultivating a commercial mindset requires a strong finance culture and that means bringing your colleagues with you – because effective revenue management is a (cross-functional) team sport.

A checklist for fostering a strong finance culture could include:

- **Partner with your people:** This includes internal teams (especially those in sales and marketing), plus external stakeholders. You'll gain valuable intel about your organisation's performance, and the state of the marketplace.
- **Collaborate with colleagues:** Encourage their buy-in and incorporate their feedback into your forecasts to improve accuracy, and to ensure that finance is consulted during decision-making.
- **Bring in bottom-up budgeting:** Use divisional budgets to inform your overall company budget, boosting the validity of your budget, and uniting all teams in setting revenue targets and budget goals.
- **Manage expectations:** Communicate clearly and regularly with stakeholders to foster trust during uncertain times. Also, to build the credibility and reliability of your finance team.

- **Go to the coalface:** Build relationships and gain insights by adopting a strategic business advisory role and going to the business front line. Consider accompanying your sales team to customer meetings or supplier talks to gain a first-hand understanding of demand.

Read more: Managing culture – A good practice guide

Ensure cash flow is king

Cash is king at the best of times, and it's even more vital during testing times. Effective cash flow management is essential during economic uncertainty, especially debtor management and control.

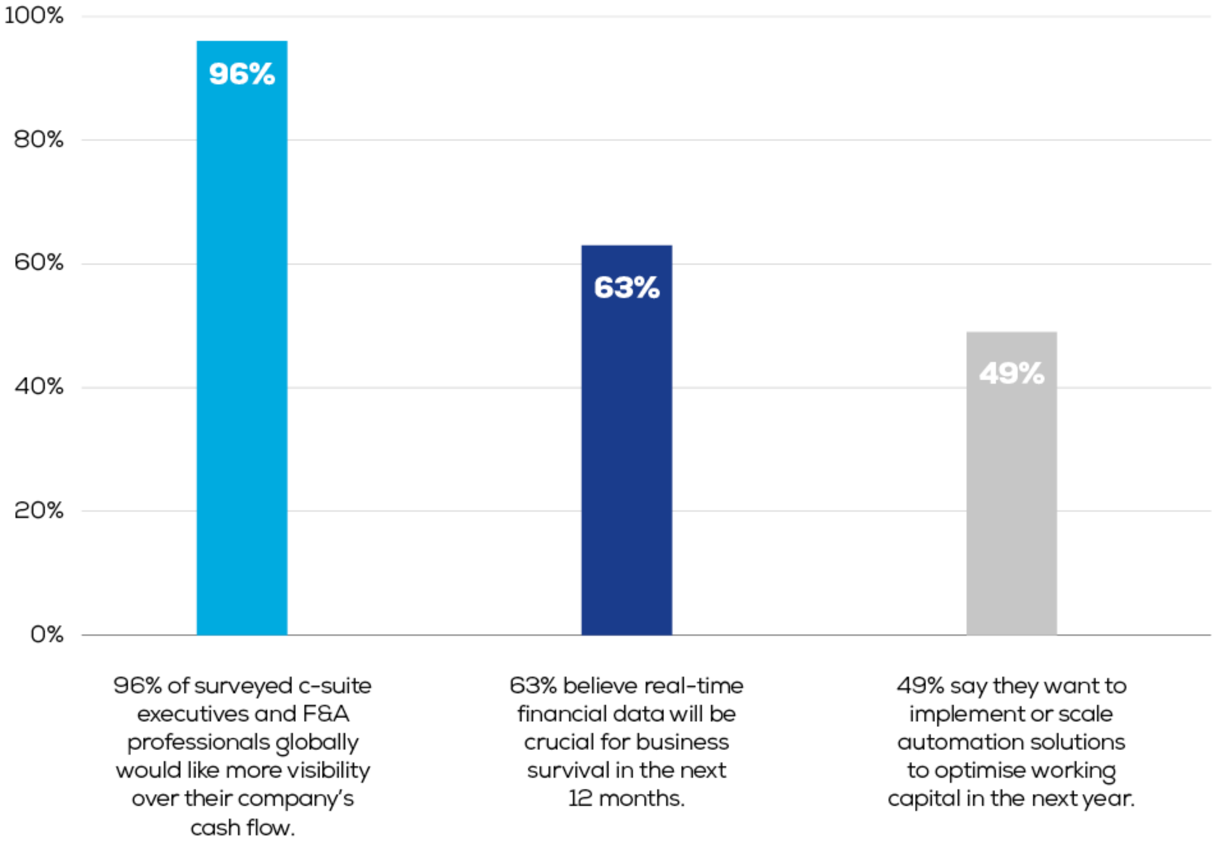
"A business that's profitable on paper doesn't necessarily have sufficient cash reserves to sustain operations when interest rates and inflation are rising, so real-time visibility over cash reserves is key," says Kandy Wang FCA, Head of Fund Accounting at EG Funds.

The solution? Make cash flow a focus for the entire business. Also, embed working capital management into your everyday processes to make the most of existing assets and maximise cash flow.

Practically speaking, CAs can focus on cash flow by:

- **Boosting cash via collections:** Monitor collections closely and ensure vendors pay according to the negotiated terms and time frames. Also, look for new ways to improve cash generation via collections. Consider incentivising early payments, introducing tighter credit terms, or implementing proptech software for invoicing. As Wang puts it: "Avoid becoming a bank or financier for your vendors."
- **Using vendors as financing:** On the flip side, do use your vendors as financing. To generate cash, consider negotiating with suppliers so you're essentially leveraging your vendor's (strong) balance sheet to raise further shareholder equity. (It's important to note there may be reporting requirements here, especially for larger companies.)
- **Doubling-down on debtor management**: Ensure your sales colleagues have a clear and dynamic picture of all customers – and their ability to pay on time – because it's one thing to clinch sales, but another thing entirely to collect. Emphasise the need for background checks and due diligence. Also, link your sales team's KPIs to debt collection, not simply sales.
- **Look at leasing versus ownership:** Assess non-current asset holdings (or long-term investments) such as real estate and equipment, and consider lease options over ownership.

Why cash flow visibility is key



Source: 'Why cash visibility is key to survival', BlackLine/Acuity magazine (March 27, 2023).

Economic storm clouds: Finance's time to shine

During times of economic stress, CFOs, finance teams, and individual finance professionals can add real and long-lasting value by managing revenue successfully.

"The finance team is in a unique position to see their organisation in its entirety," says Paul Anderson CA, CEO of NZSki. "During a downturn, the finance team really comes to the fore. It's a chance to see strategically, commercially and financially – and then cast a vision forward."

The opportunity to add value is three-fold:

1) Opportunity to shape the organisation

Volatile conditions can prompt an organisation to take stock and reassess their financial position. As such, it's a chance for financial professionals to step up, show leadership, and affect meaningful change. From resource allocation to sustainable practices, the best finance professionals will use this time to re-examine revenue management and rethink organisational processes. In short, it's a chance to shape the future direction of the organisation.

2) Opportunity to grow and learn as a finance team

Difficult macroeconomic circumstances force finance professionals to work more closely with their stakeholders – and this can have a significant upside. If you use this period to build better relationships with internal teams and vendors, and consult with them on revenue management, then you're more likely to strengthen relationships, improve the quality of data you receive from stakeholders, and develop better revenue forecasts as a result. It's a win-win; and it's an opportunity to demonstrate the value of your finance team.

3) Opportunity to upskill and progress your finance career

At the same time, when economic warning signs are red, it can be a green light for your career. New and unexpected opportunities can arise during periods of uncertainty as finance professionals are exposed to new parts of the business. Use this time as a chance to broaden your skillset (for example, to learn – and lead – on pricing), and develop your commercial acumen. It's during the most challenging periods that finance professionals have a chance to shine.

Read more

'Accountants must get out of the back office to forecast revenue', by David Boyar FCA, *Acuity* magazine.

Acknowledgements

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