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Banking relationships, Outsourcing and Cash Flow management hindering SMEs – CFO survey

- SMEs struggling to juggle financial priorities
- SMEs want to work on banking relationships but don't have time or role
- Outsourcing model continues to gain traction

A survey of over 545 Australian SME companies has identified the top three areas of improvement business owners and financial officers have specified as impacting their business efficacy and efficiency.

The survey, conducted by CFO Centre WA, a company that provides experienced part-time CFOs to SMEs, highlights the continuing difficulty small to medium businesses face in ensuring they have the capacity, roles and expertise to effectively juggle key financial priorities amongst their daily operations.

CEO of CFO Centre WA, Rupen Kotecha said while the key areas may not be new, it is the continuation of this trend that shows SMEs are not balancing their priorities.

"It's certainly a continuing, and growing, struggle amongst SMEs to manage their day-to-day financial duties and also allow focus for the strategic and bigger impact priorities.

"However for SMEs, the issue is three-fold, as they have to devote enough time or capacity outside their other duties, align these priorities and responsibilities to a role, and more importantly ensure there is adequate expertise to effectively manage them," Mr Kotecha said.

Banking relationships ranked as the top priority finance departments need to improve on and Mr Kotecha argues this is a high-impact responsibility that should not be ignored especially for SMEs.

"Having strong and proactive relationships with your funding partner offers key advantages for businesses, especially if you're looking to scale like a lot of SMEs.

"The more banks understand a business the more they can often help with rates, perhaps even fees, advice, service, and help with cash flow, so from a bang-for-your-buck perspective, businesses should really focus on building those relationships.'

CFO Centre WA's General Manager, Rebecca Parnaby, also highlighted that the continued rise in the outsourcing model, boosted by changing workforce dynamics during the pandemic, has introduced more challenges for SMEs.

"There are obvious cost, efficiency as well as talent benefits to outsourcing, however, increasingly, we are observing issues in managing these relationships and ensuring the most effective balance.

"The advice I'd offer businesses who are new to outsourcing is to find some experienced advice to guide the best approach for your specific needs and environment," she said.

Managing Director of Auslink Foods, Trent Brisset, who responded to the survey, said a key reason SMEs have these strategic gaps is not having a CFO-level role within the business.

"There is a strategic need, and clearly substantial financial benefit to have CFO-level expertise within a business however it's not often feasible to have them on staff," he said.

Ms Parnaby also said the changing business environment could be a trigger for more businesses seeking part-time CFOs.

"We're seeing an increase in requests from SMEs for our CFOs to assist with more strategic priorities and we expect this trend to continue.

"I think there's also a shift in business models, flexibility and the benefit and concept of having expertise without the full-time commitment is becoming very popular."

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About CFO Centre

CFO Centre provides SME businesses with high calibre CFOs on a part-time basis to help build or deliver on a financial plan and priorities, allowing them scale faster, increase valuation and get out of the day-to-day.

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