Grunberg
A Xeinadin Company

A guide to

Building Business Resilience

Practical strategies to protect and strengthen your business.

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Introduction

Economic uncertainty, rising costs and an unpredictable trading environment mean that building resilience into your business has never been more important.

This guide sets out the key financial and operational strategies that business owners can use to protect their operations, strengthen their cash position and navigate difficult conditions with greater confidence. Whether you are managing a period of instability or simply planning ahead, the tactics outlined here will help you build a more robust and sustainable business.

What does business resilience mean?

Business resilience is the ability of a company to anticipate, prepare for, respond to and then adapt to incremental change and sudden disruptions in order to survive and prosper.

A resilient business does not simply react to challenges. It builds systems, strategies and financial structures that reduce risk and provide the flexibility to respond when or if things go wrong.

Resilience is not about avoiding risk altogether. It is about ensuring that when problems arise, your business has the tools, resources and plans in place to manage them effectively.

Building financial resilience

Here's how businesses can build financial resilience and create long-term certainty.

Maintain a healthy cash reserve

Cash flow problems are one of the most common reasons businesses face serious difficulties or insolvency. Even profitable companies can run into trouble if cash is tied up in operations or payments are delayed.

It happens more often than you think, which is why business owners should aim to have a cash reserve that can cover at least three months of operating costs. This provides a vital buffer against unexpected disruption, such as a sudden loss of a major client or an unforeseen cost.

Estimating how much a business will need can be tricky, especially during periods of high cost inflation, so it is better to build a bigger buffer based on the worst-case scenario.

Key action for business owners: Review your cash position regularly and set a target reserve level that reflects your business's specific risk profile. Speak to your accountant if you are unsure what level of reserve is appropriate.

Stress test your finances

Testing how your business would cope under different adverse scenarios is a useful way to identify vulnerabilities and plan your response before they occur.

Useful scenarios to model include:

- Customers taking 30 to 60 days longer than usual to pay
- A 15 to 20 per cent fall in revenue/sales
- Rising costs in wages, energy or materials
- A key supplier failing or increasing prices significantly
- Higher interest rates on variable-rate borrowing

By running these models, you can identify where your business is most vulnerable and put contingency plans in place to address those risks.

Key action for business owners: Don't leave stress testing until it is too late. It is best to conduct these well before issues arise so that you can put the necessary processes in place to address any weaknesses in your finances.

Strengthen your cash flow forecasting

Understanding your cash position at any given point is essential during periods of uncertainty.

A rolling 13-week cash flow forecast gives you a clear short-term view of your financial health and helps you spot potential shortfalls before they become critical.

Your cash flow forecast should track:

- Expected customer receipts
- Payroll and operating costs
- Supplier payments and loan repayment
- VAT, Corporation Tax and all other tax liabilities
- Planned capital expenditure

Combined these reports should allow you to build a clear picture of your cash flow so that you can prepare for shortfalls or take action to finance your business.

In some instances, you may be able to seek invoice financing that will provide a loan against any outstanding payments to tide you over.

Key action for business owners: Where you anticipate a period of higher investment or reduced income, increase the frequency of your reviews and update the forecast accordingly.

Review your funding structure

A business that relies heavily on a single funding source, such as a bank overdraft or a loan, is more exposed to risk than one with a diversified funding base.

Consider whether your current mix of funding is appropriate for the conditions you are operating in.

Options worth reviewing include:

- Revolving credit facilities for short-term working capital flexibility
- Invoice financing to release cash tied up in unpaid invoices from your customers
- Government-backed loans or grants relevant to your sector
- Asset finance for capital expenditure, preserving working capital

Key action for business owners: If you are concerned about access to funding in difficult conditions, speak to your accountant before approaching lenders. Having well-prepared accounts and financial forecasts significantly improves your chances of securing finance on favourable terms.

Manage costs proactively

During periods of uncertainty, reviewing your cost base regularly can protect your margins and preserve cash.

This does not necessarily mean cutting across the board. Instead, focus on identifying:

- Expenses that no longer deliver sufficient value
- Contracts or subscriptions that can be renegotiated
- Processes that could be automated or streamlined
- Tax reliefs or allowances that your business may not be fully utilising

Undertaking a cost review at least annually and more often during challenging periods can make a huge difference to your financial position.

Operational resilience

Beyond your finances, there are steps that you can take to build resilience across your organisation that will support its success and survival.

Diversify your client and revenue base

Over-reliance on a small number of clients or a single revenue stream creates significant vulnerability. Losing one major client can threaten the financial stability of the entire business.

Where possible, aim to diversify your client base so that no single customer represents more than 20 to 25 per cent of your total revenue.

Similarly, consider whether there are complementary products or services you could offer to existing clients.

Invest in people and processes

Businesses that have clear processes, well-trained teams and strong internal communication are better placed to manage disruption.

In times of crisis, the temptation is to cut back, but often pivoting or reinvesting intelligently is the better strategy.

Relying on one person for key knowledge creates business risk. To build resilience through your people and processes:

- Document key processes and ensure they are accessible to relevant team members
- Cross-train staff so that critical functions can be covered in the event of absence
- Keep your team informed during uncertainty
- Review contracts and HR policies regularly

Review your business structure

As businesses evolve, the various structures that were right at incorporation may no longer be the most efficient. A periodic review of your corporate structure can identify opportunities to improve tax efficiency and reduce risk.

Strengthen your supply chain

Supply chain disruption can have a serious impact on your ability to deliver products or services. Identifying and addressing weaknesses in your supply chain is an important part of building operational resilience.

Steps to consider include:

- Identifying single points of failure and developing alternative supplier relationships
- Reviewing contract terms to ensure they include appropriate protections
- Building buffer stock for critical materials (if practical)
- Assessing the financial stability of key suppliers

Create a business continuity plan

A business continuity plan sets out how your business will continue to operate in the event of a significant disruption, such as a cybersecurity incident, loss of a key premises or the sudden unavailability of a director.

Your plan should outline key risks and their potential impact, the actions to take if they occur, roles and responsibilities, communication with staff, clients and suppliers, and recovery timescales and success criteria.

If you already have a plan in place, you should review it regularly to account for the most likely scenarios that may test your businesses resilience.

Embrace technology to build efficiency

Manual systems that work at a small scale often become bottlenecks as a business grows or faces increased pressure. Cloud-based accounting and operational tools can help you manage more effectively with greater visibility and control.

Investing in scalable technology, including cloud accounting software, automated invoicing and CRM platforms, can reduce the administrative burden on your team and give you access to real-time financial data to support decision-making.

Tax and compliance

One of the most common areas of business distress is a sudden tax bill or investigation, which plunges operations into disarray.

Keep your tax affairs up to date

Maintaining accurate, up-to-date records returns on time is a fundamental aspect of financial resilience. It also ensures your business is well placed to respond quickly if HMRC does raise queries. Businesses that fall behind with tax compliance face not only potential penalties and interest but also the risk of an HMRC investigation. This can be a significant drain on management time and resources.

Plan ahead for tax liabilities

Tax liabilities, including Corporation Tax, VAT and PAYE, can place significant demands on cash flow if not planned for in advance. Including all tax payments in your cash flow forecast ensures you are not caught short when payments fall due. Your accountant can help you identify legitimate tax planning opportunities and reliefs that reduce your overall tax burden, thereby helping to free up additional cash for investment or reserves.

We can support your business

Our team works with businesses at all stages to help them build stronger financial foundations, improve their resilience and plan for the future with greater confidence.

We can help your business develop robust cash flow forecasting and financial modelling, identify tax planning opportunities, review your funding structure and prepare for lender engagement, strengthen financial reporting and management information, plan for business continuity and risk management and advise on corporate structure reviews.

If you would like to discuss how we can help your business become more resilient, please contact our team today to find out how we can help.

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