



A GUIDE TO BUILDING BUSINESS RESILIENCE

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.

*“Practical strategies
to protect and
strengthen your
business.”*



FINANCIAL RESILIENCE

There are many aspects of building financial resilience, so let's take a look at what businesses can do to create financial certainty over time.

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 maintain 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.

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 repayments.
- VAT, Corporation Tax and 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.

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.

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.
- 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.

Review your funding structure

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

Review whether your current funding mix suits your operating conditions.

Consider options such as:

- Revolving credit facilities for short-term working capital flexibility.
- Financing to release cash tied up in unpaid invoices.
- Government-backed loans or sector-specific grants.
- 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 detailed 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.

“Reviewing your costs at least once a year, or more often during periods of financial pressure, can have a positive impact on your financial position.”



OPERATIONAL RESILIENCE

Beyond your finances there are steps that you can take 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.

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, such as cloud accounting software, automated invoicing and CRM platforms, can help reduce the administrative burden on your team and give you access to real-time financial data.

Strengthen your supply chain

Supply chain disruption can have a serious impact on your ability to deliver products or services on time and consistently.

Identifying weaknesses and addressing these 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.
- Assessing the financial stability of suppliers.

Invest in people and processes

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

When key knowledge sits with a single individual, the business is exposed if that person is unavailable.

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.
- Communicate openly with your team during periods of uncertainty.
- Review your employment contracts and HR policies regularly and update accordingly.

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 cover:

- Key risks and their likelihood and potential impact.
- Steps to be taken in the event of each risk materialising.
- Roles and responsibilities for managing a crisis.
- Communication plans for staff, clients and suppliers.
- Recovery timescales and success criteria.

If you already have a plan in place, you should make sure you review it regularly during the process to account for the most likely scenarios that may put your business's resilience to the test.

Review your business structure

As businesses evolve, the legal and tax structure that was 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.



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

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

Businesses that fall behind with tax compliance face not only penalties and interest but also the risk of an HMRC investigation, which can be a drain on management time and resources, diverting attention away from the business.

Maintaining accurate, up-to-date records and filing 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.

Plan ahead for tax liabilities

Tax liabilities, including Corporation Tax, PAYE and VAT, can place significant demands on cash flow if not planned for in advance. Including tax payments in your cash flow forecast ensures you are not caught short when payments fall due.

Your accountant can help you identify real tax planning opportunities and reliefs that reduce your overall tax burden significantly, freeing up cash for investment, reserves or business growth initiatives.



HOW CAN WE HELP?

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:

- Identify and address tax planning opportunities.
- Review your funding structure and prepare for lender engagement.
- Strengthen your financial reporting and management information.
- Plan for business continuity and manage risk.
- 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.

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