Bolster your financial defences in an age of business uncertainty

From stress testing to rainy day funds and efficiency savings, here's seven ways to mend the roof while the sun is shining

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Banking for the Bold

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▲ Prepare your company for the worst in the good times so that when bad things happen, you can come out the other side. Photograph: Tasarimdevi/Wikimedia

Regardless of how big or small a company is, one thing they all fear is uncertainty.

From political changes and policy shifts, to interest rate hikes and drops in consumer confidence, all can affect any business in ways that are far beyond its immediate control.

But there are ways a company can prepare for the worst, bolstering its financial defences for a time when hard times hit, ensuring it comes through the other side fighting fit and perhaps even leaner, tougher and more prepared to handle any future economic shocks.

1 Take control of your business banking

When times are good, many firms can fall into the trap of becoming too complacent when it comes to which company they bank with. Familiarity and convenience can often stop them taking full advantage of the offers out there, from interest free overdrafts and loans, to bespoke customer support. Banks want your custom, and they're willing to go to great lengths to get it.

There are a range of online tools out there to help you compare business banking offers, including Know Your Money, and Money Supermarket.

2 Explore wider finance options

In addition to banks there are many options available when you need cash. There are a growing number of challenger banks and specialist lenders such as Aldermore which are willing to lend to smaller businesses.

A report released last year by KPMG for example revealed that challenger banks had increased lending by 32%, compared to a 5% decline for the established 'big five'.

Other methods of investment can include business angels - a private individual willing to invest in business ideas. The UK Business Angels Association estimates that 18,000 business angels invest into businesses each year. For a list of business angels, visit their site.

Crowdfunding could be a viable option of raising cash, with websites such as Kickstarter or Crowdfunder allowing money to be invested by multiple people rather than one angel.

And accessing grants can also be an excellent way to raise money. Free websites such as j4bCommunity or smallbusiness.co.uk contain information about funding for businesses, voluntary and community groups.

Bear in mind also that the time to raise cash is when the going is good: nobody wants to invest in a sinking ship.

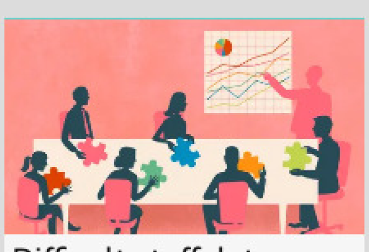
3 Start a rainy day fund

Building a war chest of ready cash can give you that extra bit of breathing room when things get tough. Common consensus is that this should amount to three to six months of operating capital.

Smaller businesses in the UK are entitled to £85,000 guaranteed savings protection per bank. For limited companies this varies slightly, with two of the following criteria needing to be fulfilled in order to qualify: having a turnover of no more than £6.5m, a balance sheet of less than £3.26m or having fewer than 50 members of staff.

An excellent source of rainy day funds is the interest paid on your surplus cash. However a report by Aldermore and YouGov* found that many businesses could be missing out by not moving savings to accounts with better interest rates.

The research, which surveyed more than 1,000 British SMEs, found a third (34%) did not know what interest rate their business was receiving on their surplus funds, while a further 14% said their business received 0% interest.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4 Stress test your business

Stress testing is a way of examining your own worst case scenario to see how - or if - you would come through it.

It's not as complicated as it sounds - you can do it with pen and paper. Just take a holistic view of your business, how you operate and your customers and ask yourself a series of specific questions, these could include:

- What would happen if my biggest customer/supplier went bust?
- What would happen if interest on my business loan went up by 5 or 10%?
- If I have staff, how would I be affected by a rise in the minimum wage, or demands for greater pension contributions?

Now take a look at your financial figures over the last year and factor each one into your income. How big an impact do they have - would you survive? Would you have needed to borrow cash? All these questions can give you an idea of how much you'll need in the coming year, should the worst occur.

5 Tackle cashflow bad habits

When we don't need the money urgently it's easy for bad habits to set in. Politely insist that invoices are paid on time and pay yours on time too; establish professional business rules from the get go, but also extend goodwill and understanding to important suppliers in case you ever need them in your corner.

Businesses depend on relationships, so establishing clear rules with both customers and suppliers about payment schedules will stand you in good stead.

6 Consolidate debts

Take any opportunity you can to restructure outstanding debts to lower the interest you're paying and, if possible, monthly outgoings. Business Debtline is a free debt advice service for small businesses and the self-employed. Run by national charity the Money Advice Trust, it can help you get a grip of your outstanding debts. According to the charity's own figures, in 2015, Business Debtline helped more than 50,000 people, with 83% of callers saying they are more in control of their finances.

7 Cut costs

There are a huge number of ways a company can cut costs, including simple things such as moving to cheaper premises, and swapping utility and broadband providers for a cheaper deal - online comparison sites such as uSwitch can help with the latter.

Cutting costs could also mean looking for cheaper suppliers or outsourcing some aspects of your work to freelancers. Services such as marketing or admin support could be fulfilled via the use of freelancers - with many available on sites such as Upwork and Freelancers.net.

For admin support or secretarial work, you could also look at employing a freelance virtual assistant working from home or overseas on an ad-hoc basis. There are a number of companies which could help you with this, including Virtalent and Timeetc.

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**All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,008 Small Business Decision Makers. Fieldwork was undertaken between 4th - 12th April 2016. The survey was carried out online. The figures have been weighted and are representative of business size (number of employees).*

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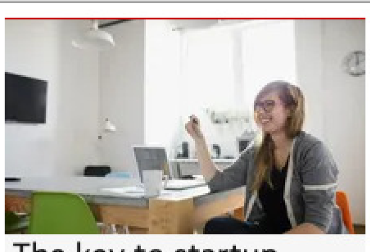
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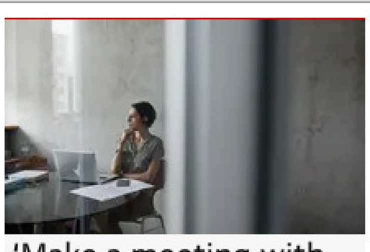
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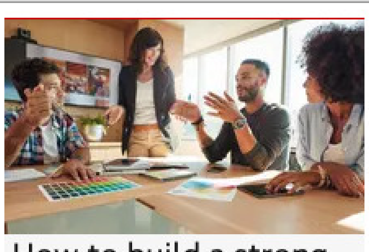
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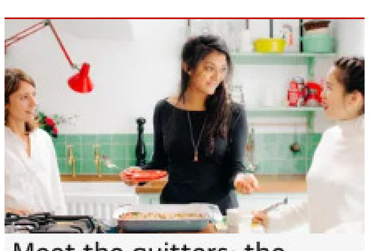
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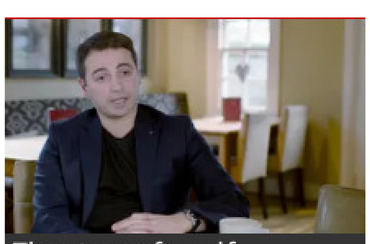
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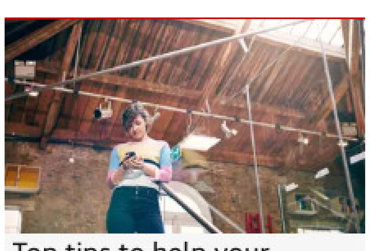
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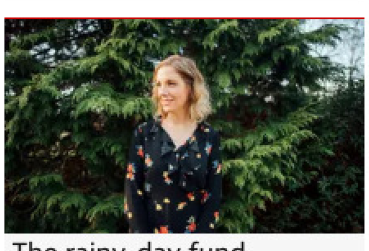
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