

Riding the rollercoaster.



“Business opportunities are like buses, there’s always another one coming.”

Richard Branson

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how we can help you.
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partners.**

Wilson Partners’ 25 point plan to steer your business through difficult conditions

With the war in the Ukraine looking set to deepen over the winter, inflation at record highs and market turmoil fuelled by our own political ineptitude there are a lot of negative drivers affecting business. And in today’s world, the press and social media can leave even the most savvy of business leaders wondering what’s next. It is important to maintain a level head and not hit the panic button or hold up initiatives which you know make good commercial sense in the long term, without due consideration.

Amidst all the uncertainty, one thing is for sure, UK business is in for a rollercoaster ride over the coming months, if not years. But history tells us that adversity will inevitably present opportunity and that fortune favours the brave. However, adversity can also present risk and that risk should be understood and mitigated wherever possible.

So, what are the risks to UK SME businesses in the short term and what can you do about it? See our table below, where we have covered many of the challenges our clients are telling us they’re facing and some ideas for what to do next.

And remember, we’re only a call away and happy to discuss any concerns about how the current challenges might affect your business. As ever, we’re here to help and guide you through both the good times and the challenging times.

Issue	Why it matters	What to do
Cash, funding and liquidity	In a potential downturn the combined effect of lower profitability and stretched working capital can quickly result in a business running out of cash.	<ul style="list-style-type: none"> • Prepare a short and long term cash flow forecast. Update it regularly (weekly) and do some 'what-if' scenario analysis to analyse the impact of shocks to the forecast • If cash and liquidity could be tight, get advice and put additional facilities in place even though these may not be needed • Communicate with your bank & your funding sources
Working capital management	When the economy gets tighter it's even more important to collect cash from debtors and avoid taking on too much inventory. This not only helps liquidity but reduces bad debt and obsolete stock risk.	<ul style="list-style-type: none"> • Put in a process to manage your debtors with regular chasing and communication • Consider who you grant credit to and what limits you are prepared to grant • Speak to your customers regularly to understand how they are doing and what their requirements will be • Monitor your stock levels & usage to avoid overstocking
Foreign exchange	Volatility in foreign exchange markets may mean you are already seeing an impact on your business (positive or negative).	<ul style="list-style-type: none"> • Understand how currency movements affect your business - not just the obvious ones • Speak to an expert to understand the methods that would suit you and your business to manage this risk • If you buy in other currencies then conversations with suppliers and customers to mitigate the impact should start now • Investigate opportunities within new export markets (e.g. selling in Dollars to an overseas market) • If you are selling in Sterling to overseas then there may be an opportunity to gain further market share or increase your prices as your goods / services will now be cheaper
Profitability	It is vital for your business to be profitable. You owe it to your team, customers and suppliers to make the profit needed to invest in your business and develop your team. This is true whatever the economic conditions.	<ul style="list-style-type: none"> • Put in place a contingency plan of how you will react to manage profitability • Find ways of providing any added value to your customers to maintain sales • Consider how you can manage costs to be more efficient • Review your pricing regularly in response to rising costs. Margin should be maintained.
Fraud	There is a direct correlation between instances of fraud and economic downturns – a significant fraud could cause your business to fail. Fraud could manifest itself through misappropriation of assets (i.e. theft) or it could be that staff seek to deliberately mis-state financial information for their own benefit (e.g. where bonuses and commissions are linked to performance measures).	<ul style="list-style-type: none"> • Review financial controls to ensure they are working effectively and identify any areas of weakness • Monitor your management information closely for results which appear out of line with expectations • Be on the lookout for warning signs such as an increase in the volume of credit notes.
Taxation	If your business suffers a slowdown it could affect the ability to pay taxation as it falls due or you may incur losses that can be utilised to claim a repayment.	<ul style="list-style-type: none"> • Speak to your adviser about what impact any downturn will have on your business and see whether it's possible to plan to utilise any losses effectively • Potentially make arrangements with HMRC over their 'time to pay' scheme
Technology	You may have been able to carry on with processes that are manual / inefficient because the macro economic environment has been benign. If things get tight, you will need to be more efficient to maintain profits.	<ul style="list-style-type: none"> • Look for ways to invest in technology to become more efficient • Eliminating waste through process improvement in fulfilling customer orders • Stay closer to customers to maximise sales through effective customer relationship management supported by the right systems • Don't put off initiatives that make good commercial sense just for the sake of cutting expenditure