COMMENTARY

From Risk to Resilience: Protecting Your Small Business in Tough Times

Economic uncertainty has become a defining feature of today's marketplace. Higher borrowing costs, stubborn inflation, and shifts in consumer demand are forcing small businesses to adapt quickly. While the challenges are real, so are the opportunities for business owners to reexamine their operations and build greater resilience. There's an old military adage that states "The more you sweat in times of peace, the less you bleed in times of war." With the right adjustments, small firms can protect themselves against volatility while remaining agile and positioned for growth.

Below are five practical steps small businesses can take to safeguard their operations and position themselves for resilience.

Strengthen liquidity and cash flow management
Cash flow is the lifeblood of any small business. In tighter credit environments and uncertain markets, it's crucial to know exactly where your cash is coming from and where it's going.

- Conduct a cash flow forecast at least quarterly; ideally monthly.
- Build and maintain a reserve equal to three–six months of operating expenses.
- Identify expenses that can be deferred or reduced in the short term without sacrificing long-term growth.

Strong liquidity not only helps you weather downturns but also positions you to act quickly when opportunities arise.

Reevaluate debt and financing structures
The cost of borrowing has been elevated (although it has eased some over the past several months), and lenders are more cautious. Now is the time to take a hard look at your current debt obligations.

Consider these actions which may help you with debt goals:

- Review interest rates, maturities, and covenants to identify risks and potential cost savings.
- If possible, refinance into longer-term, fixed-rate structures to protect against future rate hikes.

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- Avoid over-leverage; while debt can fuel growth, it can also create strain if revenues faulters.

Smart financing decisions made today can help avoid painful adjustments tomorrow.

Diversify revenue streams
Relying too heavily on one customer, one product, or one market can be risky. In uncertain economic times, diversification becomes a shield.

- Explore adjacent markets or services that align with your strengths.
- Consider partnerships, e-commerce channels, or new customer segments.
- Regularly analyze your customer concentration. If one client accounts for more than 20–25% of revenue, consider broadening your base.

Even modest diversification can create more stability and reduce the impact of market shocks.

Invest in operational efficiency
Cutting costs recklessly can hamper long-term growth, but honing efficiency is always a worthwhile exercise.

- Audit your supply chain for vulnerabilities; can you negotiate better terms or add secondary suppliers?
- Evaluate technology investments that reduce manual processes, streamline the customer journey, or amplify customer engagement.
- Monitor key performance indicators (KPIs) to quickly spot inefficiencies.

During the Great Recession, businesses that streamlined early were able to endure longer and recover faster.

Build strong relationships with financial partners
Finally, don't underestimate the value of strong banking and lending relationships. Open communication with your financial institution can make a difference when challenges arise.

- Keep your financial institution informed about your business's performance and plans.
- Seek advice early if you anticipate cash flow pressure or capital needs.
- Establish trust. Lenders are more likely to work with proactive business owners who demonstrate transparency.

Businesses can more effectively navigate choppy economic waters when they have established relationships that allow for flexibility, whether through modified loan terms, timely advance, or creative financing solutions.

Practical takeaways
Economic uncertainty is not new, and it is only a matter of when, not if, a business will face headwinds. The difference lies in preparation. By strengthening liquidity, reevaluating debt, diversifying revenue, improving efficiency, and leaning on trusted financial partners, small businesses can not only weather today's environment but also set the stage for long-term success.

Resilience is not about avoiding risk; it's about managing it wisely.

About Chad Witcher
Chad Witcher is vice president of business lending at Mountain America Credit Union, bringing more than 20 years of leadership in commercial finance. He oversees a top-performing team providing SBA, conventional, and construction financing. Previously COO of a

national CUSO and director of Zions Bank's National Real Estate Group, Chad holds degrees from Weber State and the University of Utah and is a Pacific Coast Banking School graduate. He actively supports small-business and education initiatives.