

# Resilience in small businesses

and the impact of staff wellbeing

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Through November and December 2022, in partnership with insights consultancy Savanta, we gathered the views of 1,200 small business leaders. In this survey, we explored their opinions and behaviours across topic areas such as responding to unprecedented events, financial planning, adaptability, personal mental health and wellbeing in the workplace.

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# Foreword

From serving and working with small businesses for over 10 years, we've seen first hand how resilient they are. During the pandemic this was magnified, with the resolve, pragmatism and ingenuity of business owners being tested like never before. Once more, they rose to the challenge, and we saw countless businesses taking finance to adapt their model, pivot to new areas and support their staff.

Inspired by their agility and determination throughout this period, we wanted to look deeper into the idea of resilience. We all have an intuitive understanding of business resilience, but in practical terms what does it really mean? How do resilient businesses operate compared to their less resilient peers? How successful are they?

To find out, we partnered with Savanta, a specialist research agency with vast experience in the SME space, to put the subject of business resilience under the microscope. We surveyed 1,200 businesses and examined different aspects of financial, operational and personal resilience.

What we learnt is that building resilience will not just help you survive, but will help you thrive. Resilient businesses were three times more likely to have grown in 2022 and are six times more likely to expect growth this year.

It's not just about having extra cash in the bank either. Financial resilience is naturally important, but having the operational capacity to act quickly when faced with challenges is vital. Focusing on employee wellbeing is a key factor too, and making it a top priority is strongly linked with success.

We also confirmed what we have long witnessed, that business owners have a highly resilient mindset, with three in four (75%) saying they will always find a way to survive whatever happens in the world.

Our research demonstrates that resilience is more than having extra working capital available, and highlights focus areas that can be relevant to businesses of all sectors and sizes. In this report, we look at these aspects in detail, covering how we've defined resilience, the benefits of building resilience and how to achieve them.

We hope this report will provide ideas that you can take into your business, so that you can use resilience as a means to achieve further success. We will be using it at Funding Circle too, and our team will be looking at how we can provide even more support to businesses, targeting the areas you've told us will have the biggest impact.



*A. Allen*  
**Alexander Allen**

Funding Circle UK Managing Director

# Resilience is more relevant now than ever for SMEs

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**It is not new or controversial to say these last few years have been some of the most challenging faced by both individuals and businesses in recent history**

Small businesses, in particular, have been hard hit by a mixture of the pandemic, geopolitical issues and now economic uncertainty which is forecast to lead to a recession.

As early as 2020, The Bank of England<sup>1</sup> reported that small businesses were being hit harder by the pandemic than their larger counterparts and our research has further backed up this claim, with 63% of SMEs telling us that the last couple of years have been the most difficult and with 64% saying that it's been the most stressful.

We'd therefore forgive you, as a business owner, for being pessimistic about running a small business and possibly discourage others from entering the arena. This is not the reality however, as 74% of the

SME leaders we surveyed would still recommend running a small business to others. Despite all that is going on in the world, small businesses appear to be showing remarkable resilience in what are objectively testing times.

Let's take a deeper dive into this notion of resilience. How might we look to define it and what are the different elements that comprise it?

By understanding what resilience is, what types of businesses are more or less resilient, and what behaviours and attitudes the most resilient businesses exhibit, you will be able to identify areas where you can make changes to protect your business from future risks, and put yourself in a position to seize future opportunities.

<sup>1</sup><https://www.bankofengland.co.uk/bank-overground/2020/how-has-covid-19-affected-small-uk-companies>

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**74% of small business  
leaders would  
recommend running  
a small business  
to others**

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# The key elements of resilience

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## There are three elements to what makes a business resilient

In order to fully explore the core characteristics of a resilient business, we first identified what the building blocks of resilience are. Based on conversations with small business experts and primary research into the topic, we have identified three core tangible elements of resilience, each with several factors that feed into them. In our study, we used a number of variables to measure each of these three core elements to create an overall 'resilience index' score.

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**“For us, resilience means being able to adapt to constantly changing conditions and challenges, without feeling overwhelmed. The current financial challenges make this more important than ever.”**

**Tina Kebe,**  
Owner and Director at Pany Chaud Bakery

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# These three elements are:

1

## Financial resilience

Perhaps the most prominent aspect of resilience – having access to cash, capital, or other resources helps to make a business more stable against external shocks. However, having access to capital isn't enough in itself – a business needs to be confident that it could use its resources in the midst of difficult situations. We have therefore measured this element on the ability to make financial investments quickly when required, and confidence in surviving increases to core operational costs.

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2

## Operational resilience

Outside of finances, businesses also need to be set up in a way that allows them to make strategic pivots where required and be flexible to various external factors – be that customer demand, changing regulation, or competitive landscapes. To capture both the 'flexibility' and 'planning' elements of this, the measures used here included the ability to adapt a business model that is no longer viable and the implementation – or lack thereof – of formal risk management and contingency plans.

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3

## Personal resilience

Finally, we have a factor that might sometimes be wrongly overlooked, the resilience of the leadership of a business. Two businesses with similar financial and operational set-ups may react very differently to a challenging situation based on the personalities and actions of the people running them. We measured this by looking at individual determination to make a business work under any circumstances, ability to bounce back from hard times and overall ease of responding to stressful situations.

If your business performs well across these three measures, it is likely that you are well set-up to deal with and thrive during difficult times. However, there is almost certainly more that any business can be doing, and we have explored these things in detail throughout the report; from understanding the details of what is encompassed by operational resilience, through to the impact of mental health and wellbeing on the overall resilience of a business.

**Please note:** Throughout this report, we're exploring an expressed view of SME resilience based on our survey. This is not an analysis or our opinions of credit performance.

# At first glance; how resilient are SMEs?

How resilient are SMEs on the whole?  
The answer is different across the three  
elements we've just identified.

When it comes to personal resilience, this  
is where SME business leaders shine.  
Business owners are a tough group; you  
are not prone to giving up easily, and you  
see the value in small business ownership  
despite challenging times. Determination  
is a key trait, with 75% of SME business  
leaders saying that whatever happens  
in the world, they are determined that  
they will always find a way to survive as

a business. Not only that, 74% say that they  
tend to bounce back quickly after hard times.  
Collectively there is a clear determination to  
battle against the things that could go wrong,  
and to quickly recover when they do.

However, when it comes to the elements  
of resilience to do with flexibility and  
adaptability, there is clear room for  
improvement.

Only 18% say they are 'very confident'  
they'd be able to make a financial  
investment on short notice if required  
and only 17% say they would be 'very  
confident' of surviving in the medium term  
if costs went up by a significant amount.  
In addition, even less (just 12%) say they  
could 'very easily' adapt their business  
model if their current approach became  
less viable.



**% Very confident in their ability to make a financial investment on short notice if required**



**18%**



**% Very confident that they could survive a significant increase in costs in the medium term**



**17%**



**% Think they could very easily adapt their business model if needed**



**12%**



While it's impossible to be financially and operationally prepared for every potential problem, the experience of the last few years suggests that the more that you can do as a business to be ready for sudden changes in the commercial environment, the better your chances of long-term success. According to the data, this is an area that many SMEs will need to develop or potentially seek external support for.

Identifying any areas of the businesses that have the capacity for flexibility or adaptability is important, but even more so is identifying those where you feel like you currently have little room for manoeuvre. This could be anything from reliance on a specific supplier or partner, to too much knowledge being pooled in an individual employee, to a high proportion of revenue coming from a single product which could dip in demand.

Depending on the type of business you run, there could also be very specific potential dangers to be aware of; an online store relying on a small cloud hosting platform that goes out of business, a high street boutique shop that suddenly has a large retail competitor open a few doors down. These are matters that are not in your control, but taking the time to consider what these potential dangers are is the starting point towards being resilient in the face of them.

This is only a starting point though. Ideally, you would go further and start to put formal risk management or contingency plans in place to deal with these potential external shocks. This is something that needs to become more common in the

SME landscape as currently many have nothing in place, and what does exist is usually either informal or limited at best. In all, only 17% of SMEs say they have extensive formal risk management in place and nearly half (42%) have nothing formal in place at all.



As with everything outside of the core running of the business, it can be hard to find the time for this, but investing into your operational and financial resilience will be invaluable in future proofing your business.

The research shows what we've long experienced in our years of working with business owners – that as individuals you are a formidable group. The next step is to ensure the resilience of your internal processes and finances matches that of your mentality.

# Business resilience goes hand in hand with business success

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## Resilient businesses are performing better, and are more optimistic about the future

So far, we've looked at what resilience means and its components. However, you may be wondering what the value is to your business. To answer this question, we used the three dimensions (personal, operational, financial) that fed into our resilience index to categorise respondents into 'high resilience', 'medium resilience' and 'low resilience' businesses.

Resilience for the sake of resilience isn't a bad thing, but is there a benefit beyond that which means it warrants your focus as a time-strapped business leader? Simply put, yes there is. Resilience is highly correlated with business success and confidence about the future. 49% of businesses state they achieved a better financial outcome in 2022 compared to 2021. However, this figure is nearly 4 times higher amongst

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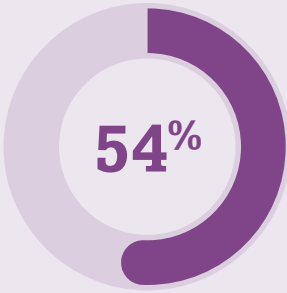
**Resilient businesses are 4 times more likely to have achieved a better financial outcome this year than last**

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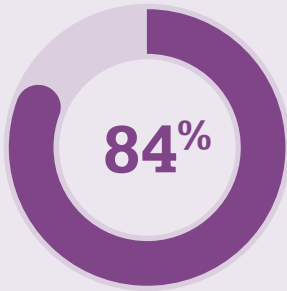
high resilience businesses compared to low resilience ones (74% vs 20%). Looking forward, the pattern is even stronger. 54% of businesses feel positive about growth in the coming year – but this is six times higher for high resilience businesses (84% vs 13%).

## % of businesses that are confident about the coming year

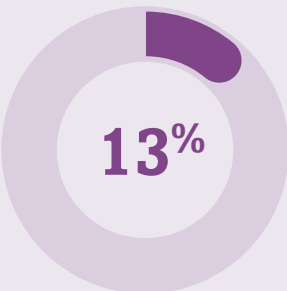
### Overall



### + High Resilience



### - Low Resilience



There is an overwhelming difference in confidence, demonstrating that the concept of resilience – and how to engender it within your business – is clearly worthy of attention.

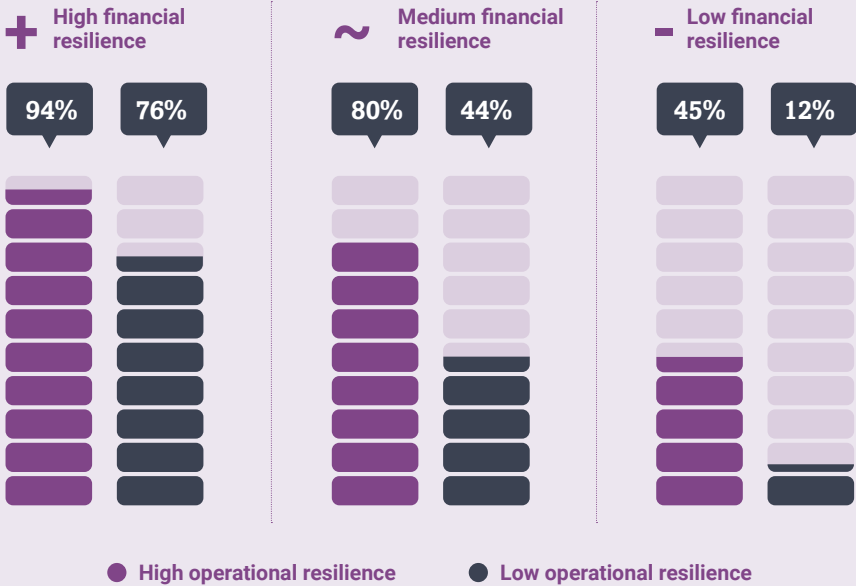
It's worth noting that this correlation still holds when you remove the financial element.

While it would be incorrect to ignore the fact that having the capital to respond to external shocks is a key facet of resilience, what we're not seeing here is simply a case of 'more money equals both a more positive outlook and more resilience'.

Operational resilience is just as important in this success. Businesses that are highly resilient on the 'operational' part of our index are nearly three times as likely to be positive about their future financial outlook compared to low operational resilience counterparts (86% vs 30%).

If we control for financial resilience, businesses with higher operational resilience are still much more likely to be looking at a more positive financial future. For example, if you are a business that has a 'medium' level of financial resilience, you are still nearly twice as likely to have a positive future outlook if you have high operational resilience than low (80% vs 44%).

## % that are positive about the upcoming year



In addition, even when just looking at the 'personal' lens, there is a significant difference in outlook (62% positive for high resilience vs 44% for low) – suggesting that having a resilient leadership in place within your business also brings confidence in future success, outside of financial factors.

This is good news for you as a business leader; that independent of your financials, there are things you can do to build up your resilience in a meaningful way. For those already exhibiting these traits, it gives confidence that you are on the road to success – and for others, it provides a significant opportunity for further growth.

Ensuring flexibility of business model and formal risk management plans, as well as investing in the mental wellbeing of leaders, are all things that you can do to place yourself in a position where you can look positively towards the coming year.

Given its importance, we'll now look at some of the specifics of what it looks like to be an 'operationally resilient' business.

# A quick guide to operational resilience

**As we've seen, operational resilience is a key facet of a successful business. What does operational resilience look like in practice though? What does having a flexible business model mean?**

In part it is about being open to and ready for the idea of needing to make a shift based on a changing customer landscape. We see this clearly played out in the history of one of today's biggest tech brands – Netflix. They weren't the first movers in their original industry of films-by-post, and they were up against much larger players in adjacent sectors such as Blockbuster. But what led to their success was an ability to adapt and re-define their business model based on consumer demand, rather than doubling down on a model that turned out to have a shelf-life.

Other brands adapt their business model based on operational opportunities and skill sets. Aviation logistics brand Menzies started as a single bookshop in Edinburgh, and evolved via sales in airport locations, to airborne newspaper distribution and then finally into a full suite of cargo solutions.

These are outlier examples of course – but SMEs all over the country had to make many decisions at speed during the pandemic. At Funding Circle, we saw many businesses coming to us to help fund changes to their operations, product lines and more. They included Fashionizer,

a uniform manufacturer that switched to making face masks, Att Pynta, a furniture brand that created virtual showroom tours and expanded with warehousing, and Pany Chaud bakery, who adapted their cafe to be a takeaway and delivery service.

Given that operational flexibility is such an important aspect of resilience, and the close relationship between resilience and success for SMEs, what lessons can you apply here?

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**“As a business owner, the pandemic was the most challenging time that Pany Chaud Bakery faced. We had to completely change our operating model so that we could carry on trading. We showed resilience by quickly moving from a café to a takeaway and home deliveries business. By doing this, we subsequently increased our customer base.”**

**Tina Kebe,**

Owner and Director at Pany Chaud Bakery

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Used as a checklist, none of the following are complex, but it is important to regularly ask yourself when the last time was that you assigned dedicated time to thinking about and challenging your current approach on each.

- **Carry out risk assessments and contingency plans:** They're not the most glamorous sounding, but these give the opportunity to spend dedicated time thinking about the potential barriers your business might face and come up with solutions. In creating a more formal plan, you will need to think through the different types of risks that you may face. There are a number of guides online that will help with this, but as a starting point, it's helpful to think about risks across five key categories:

1. Strategic risk
2. Compliance risk
3. Operational risk
4. Financial risk
5. Reputational risk

The process may not be difficult, but putting aside the time to do it can be invaluable.

- **Prioritise customer communication:** Whether you run an independent boutique store on a high street, or a manufacturing equipment supplier, giving yourself as much opportunity as possible to hear from your customers is vital to operational resilience. Exposing yourself to their views of your business, others in the market and general opinions they hold, will put you in a far more secure place when it comes to shifting attitudes or behaviours. What you do with those opinions is up to you, but make sure that you are hearing as many of them as possible.

- **Explore online or alternative channels:** Ask yourself, are there other ways in which you can reach either your existing customers, or a new type of customer? The most obvious example of this for brick-and-mortar businesses is online channels, but it could also include different offline sales channels, new marketing methods or working with partners/distributors to expand reach.
- **Prioritise your people:** Investing in people is important in many ways, but one is that it is vital for building resilience. This is in part because high staff turnover leads to few people having a good working knowledge of your business, but also because when managed well, employees can be your greatest brand ambassadors, marketing mouthpieces, drivers of customer delight, sources of innovation and more. Having long-term and highly motivated staff in place will have a big impact on your ability to adapt to circumstances outside of your control.
- **Embrace an attitude of trial and error:** In his book, 'Adapt: Why success always starts with failure', economist Tim Harford argues that trial and error is a better determinant to success than strong or expert leadership in almost any field. One of the key features of good trial and error though is to test things in ways that are survivable. As a small business, always look for small areas in which you can try out new ways of working, where failure won't be destructive. Try new sales methods, marketing tactics, product lines, back-end systems – so long as you don't lay everything on the line for them. Operational resilience isn't just about reacting to bad situations, it's about being proactively adaptable, and embracing an attitude of survivable trial and error is an effective way of doing this.

# A brief definition of the five areas of risk:

- 1 Strategic:**

Strategic risk often involves situations where a business does not or cannot credibly operate according to its overarching business model or positioning. For example, if a business is focussed on being the 'cheap' or 'value' option in the market – a strategic risk would be a competitor undercutting them.
- 2 Compliance:**

These are risks that arise from regulation, which can vary in different markets, and are more common in high compliance sectors such as energy and utilities. These can arise from businesses either being ignorant of or misunderstanding relevant regulations, or can come about when a regulation changes which impacts either their revenue or cost base.
- 3 Operational:**

This relates to any risk arising from the day-to-day operations of a business. This could be as simple as employee errors that cause damage, physical assets breaking, or a new 'way-of-working' within the business causing issues in product or solution delivery.
- 4 Financial:**

Financial risks are events and situations that result from a company's financial situation or planning. This often relates to some form of debt (e.g. taking out a large loan in order to expand the business), but can also be related to poor cash flow management, incoming payments being delayed or other accounting practices.
- 5 Reputational:**

This is quite simply any event or action that could negatively impact on the overall reputation of a brand. This could be through a specific practice, an advertising campaign, association with unethical supply chains and the like. This can be one of the hardest aspects of risk to manage, but also one of the most destructive and difficult to recover from.

**While undoubtedly there are many elements that factor into business success, it is clear that those who demonstrate high levels of resilience – across financial, operational and personal elements – are largely the ones that are well set to have a good 2023 and beyond.**

## Case Study

**One business that has shown high resilience is Funding Circle borrower, ANNA Cake Couture, a cake shop and cafe in Bristol. When starting the business in 2015, Anna Tyler and Felix Harkness wanted to offer the community the experience of watching wedding cakes being made before their eyes whilst enjoying hot drinks and sweet treats.**

After five years, and despite the challenges faced by the hospitality industry during the pandemic, they seized the opportunity to pivot the business online in 2020. Launching an online platform, they began offering luxury gifts such as cookies, macarons and cupcakes, and expanded the business nationwide.

Felix describes the meaning and importance of resilience as, “the business’s flexibility and ability to adapt to changes that have an impact on the success of the business.” Felix goes on to say, “I feel adaptability is one of the most important factors in being resilient to threats. Planning, mitigating risks and resolving issues goes a long way towards pre-empting potential problems but, ultimately, the ability to stay nimble will see you through the most impactful unforeseeable threats (e.g. a pandemic... who would’ve thought!?).”

The business has gone from strength to strength as we notice the trends mentioned above within their business structure. At a time which forced a lot of businesses to think about ways of surviving and where business owners were being tested like never before,

Anna and Felix’s agility and determination ensured they came out the other side, as a successful business, doubling in size. Felix explains that they did this by, “adopting new technology platforms that made it quick and easy for our customers to order luxury occasion cakes for local delivery or in-store collection. Something that few businesses are able to offer. We expanded our nationally shippable product range with macaron gift boxes that our customers use to delight their loved ones.”

This high level of resilience resulted in a significant increase in sales for the business. By improving their systems and processes, the business saw considerable improvements in efficiency. Felix goes on to say that, “it’s been a great reminder of the power of being nimble and able to make strong decisions that can have massive benefits.”

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**“In terms of resilience, our main focus for the coming year will be to encourage innovation and invest in longer-term digital assets that are better suited to online product offerings and are more resilient to changes to people’s physical shopping habits.”**

**Felix Harkness,**  
Director at ANNA Cake Couture

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# What types of SME are the most resilient?

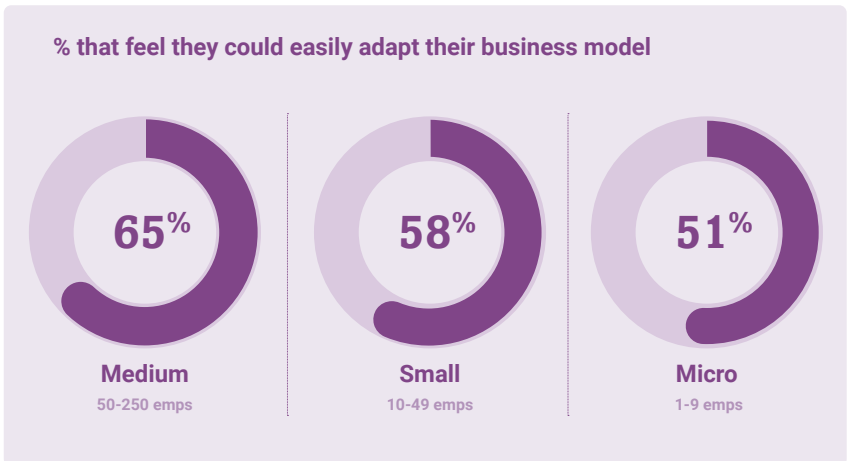
So far, we have mostly considered SMEs as a homogeneous group, but as we know there is huge variety among the business community and some will be better placed to handle external factors than others. Applying our categorisation of respondents into high, medium, and low resilience businesses, we explored which types of businesses tend to have higher levels of resilience than others. From this, five key trends emerged.

## 1 Larger SMEs are typically more resilient than smaller SMEs

Perhaps unsurprisingly, when we split SMEs into size bands; micro (1-9 employees), small (10-49 employees) and medium (50-250 employees), it is the medium businesses that demonstrate greater resilience. To an extent, this is driven by the financial security that comes with size – they are more likely to say they'd be able

to make an investment at speed if required – but it is equally a feature of having more flexible operations.

For example, 65% of medium-sized business leaders believe that they could easily adapt their current business model if their current products or services became less viable. This compares with just 51% of micro business leaders who believe the same.



## 2

### Online businesses are more resilient than offline ones

The pandemic was the most significant test of business resilience in recent times and disproportionately hit offline businesses, but future shocks could easily have the opposite effect. It is interesting to note then that online businesses typically have a greater level of resilience than their offline counterparts. This almost entirely comes from their 'operational' resilience.

The fact that more online businesses feel they could pivot their business model more quickly than offline businesses (60% to 47%) is not surprising given their nature, but with online SMEs being more than twice as likely to have risk management/contingency plans in place (21% to 9%) it seems there is also a behavioural element to this difference.

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## Online businesses feel like they could pivot their business model more quickly than offline businesses

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This is particularly stark as you could argue that the greater difficulty in shifting business models should make these plans a greater priority for those operating with a physical (offline) presence.

It will be interesting to see whether – as we continue to navigate post-pandemic and into a cost-of-living challenge – this is something that offline SMEs across the UK will begin to put in place more frequently.

### % that have extensive risk management plans in place



Offline SMEs



Online SMEs

### 3

#### Newer SMEs are equally as resilient as older SMEs

As with medium sized businesses showing higher resilience than micros, we might expect the same of businesses that have been in existence for longer. This is not the case though, with 28% of both under 10 year-old businesses and over 10 year-old businesses being 'high resilience'.

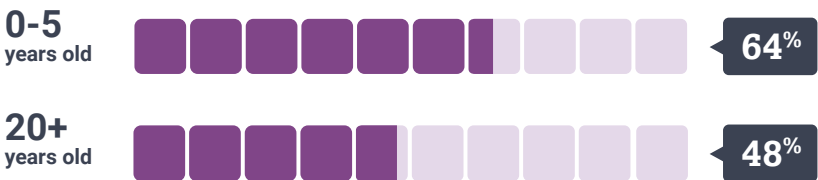
However, when we dig into this in more detail, we see an interesting difference. While similar in terms of financial resilience, younger businesses are typically more operationally resilient and older businesses are typically more personally resilient.

For example, two thirds of new businesses (less than 5 years old) think they could adapt their business model easily, compared to less than half of those that have been running for more than 20 years. However, nearly half of leaders running businesses under 10 years old say they struggle to deal with stressful events, compared to just a third of those running longer-standing businesses.

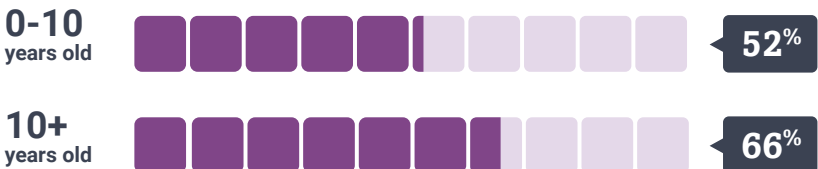
This shows a divide between younger companies, that are perhaps being run in a more flexible way, and older companies which have had the opportunity to face a wider variety of challenges. Each is valuable, but there are lessons for both newer and older businesses, and an opportunity for them to learn from each other.

#### Resilience differences between newer and older companies

##### % that believe they could adapt their business model easily



##### % of leaders who do not struggle with stressful events



# 4

## B2B businesses are slightly more resilient than B2C businesses

Only 19% of B2C businesses fit into the 'high resilience' category, compared to 32% of B2B businesses and 33% of those that sell to both consumers and businesses. This is driven by both higher levels of financial and operational resilience amongst B2B businesses. In particular, B2B businesses are significantly more confident that their business could survive an increase in operational costs (69% vs 57%).

B2B businesses may have an advantage when it comes to some of the more volatile shocks that can occur, particularly those directly based on changing consumer behaviours or trends in spending habits. This only makes it all the more important that B2C businesses are doing everything they can to increase their operational and financial resilience proactively.

### Confidence in surviving cost increases



B2B SMEs



B2C SMEs

**B2B businesses are significantly more confident that their business could survive an increase in operational costs**

# 5

## Businesses run by younger leaders are typically more resilient

Interestingly, businesses run by younger leaders tend to report greater resilience than those run by older individuals. 42% of the businesses identified as 'high resilience' are run by 18-34 year olds, compared to just 25% of 'low resilience' businesses.

There are likely a range of contributing factors to this. It may be partially driven by the fact that younger people run more online businesses, which are more resilient generally. This does not explain the trend entirely though, as even when looking at just offline businesses, those with younger leaders are still more resilient.

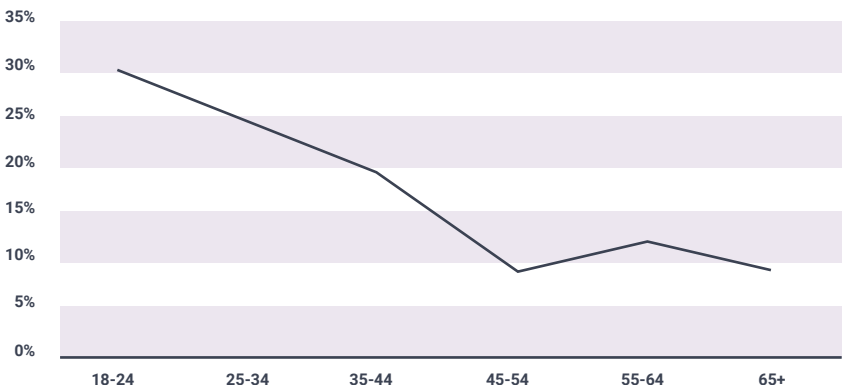
It could also be expected that there's an aspect of over-confidence, with younger SME owners being less

wary or aware of risks than their older counterparts. However, there is a significant correlation between being a younger leader and having formalised risk management or contingency plans in place. This may be a sign of younger generations putting plans in place as an insurance against their relative inexperience in running a business, or it may be that they have entered the market during a turbulent period and therefore are more likely to see it as a necessity.

Either way, the focus on it as a priority is an incredibly sensible trend that should set the new generation of small business leaders up on the best path to long-term success.

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### % that have extensive formalised risk management or contingency plans in place - by age of business leader





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**Businesses run  
by younger  
leaders tend to  
report greater  
resilience  
than those  
run by older  
individuals**

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# What do resilient SMEs do differently? They focus on their people

We've explored the types of SME that tend to be more resilient, but what is it that's different about a resilient business in terms of the priorities they have and the actions they take?

As we saw earlier, there is a clear link between resilience and financial success. This may tempt us to conclude that a resilient business is one that is heavily focussed on their profits; always looking for new customers or finding ways to cut costs. Surely that makes sense if these are the businesses enjoying the most financial success and comfort?

Our findings, however, paint a different picture. When we ask SMEs to rank what

they would consider a successful next 12 months to look like, the more resilient businesses were less likely to place an increase in revenue/profits at the top of the list.

Specifically, we asked SMEs to rank the following in terms of how important achieving each would be to you personally over the next 12 months. 37% of 'low resilience' businesses put 'increasing revenue/profits' as their number 1 priority, whereas only 29% of 'high resilience' businesses did.

Given that this is the case, if you want to be a resilient SME, where might you want to target your focus?

The area that stands out most is 'improving staff wellbeing'. 12% of highly resilient businesses make this their top priority, and 35% place it in their top 3, compared to just 5% and 22% respectively amongst low resilience businesses.

The scale of the gap here is best highlighted by the percentage difference between high and low resilience businesses placing 'staff wellbeing' as their top focus area.

**+140%** Improving staff wellbeing

**+75%** Making a positive difference in your local community

**+71%** Becoming more well-known as a business

**+60%** Having a more positive impact on the world

**+29%** Developing new or improved products or services

**0%** Increasing headcount

**-13%** Spending fewer hours at work

**-22%** Increasing revenue/profits

**-47%** Improving your personal wellbeing

Percentages represent relative levels of focus of high (versus low) resilience businesses.



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# “Burnout is enemy No. 1. Successful small-business owners and solopreneurs are intentional about creating a work-life balance and practicing self-care.”

Cheri Rainey,

Forbes

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As we can see, improving staff wellbeing is more than twice as likely to be a top priority amongst high resilience SMEs, whereas the differences amongst other factors are significantly lower. This isn't simply a factor of more financially resilient businesses being able to focus on other areas such as staff wellbeing, as the trend holds for personal resilience and is even stronger for operational resilience.

This idea of wellbeing and its link to resilience is something we explore later in this report.

This should act as another note of caution if you are a SME leader who believes resilience is all about building up a strong financial buffer to get you through hard times. Although this is important, most

resilient businesses show that a focus on ensuring you have a motivated and engaged team is just as crucial to stability in the long term.

In a 2021 Forbes article<sup>2</sup>, prioritising work-life balance and avoiding burnout is highlighted as one of the key ways small businesses can build resilience. Cheri Rainey, from Forbes' coaching council said; “Burnout is enemy No. 1. Successful small-business owners and solopreneurs are intentional about creating a work-life balance and practicing self-care. Focus on efficiency and outsourcing where you can.”

This wellbeing focus can't just be 'for show' though, it has to be a fundamental aspect of the way you do business. The Chartered Institute of Personnel and Development<sup>3</sup> puts it clearly and succinctly:

**Investing in employee wellbeing can lead to increased resilience**, better employee engagement, reduced sickness absence and higher performance and productivity. **However, wellbeing initiatives often fall short of their potential because they stand alone, isolated from the everyday business.** To gain real benefit, employee wellbeing priorities must be integrated throughout an organisation, embedded in its culture, leadership and people management.

It is clear that resilience has a close link to success, and that a key part of being a resilient business is focussing on the wellbeing of your employees. Given this, we will now explore more closely the topic of mental health and wellbeing within SMEs.

<sup>2</sup> <https://www.forbes.com/sites/forbescoachescouncil/2021/09/07/how-small-businesses-owners-can-build-resiliency-into-their-lean-operations/?sh=2f79fb81b4a>

<sup>3</sup> <https://www.cipd.co.uk/knowledge/culture/well-being/factsheet#gref>



# Exploring wellbeing

While business leaders reported that they generally feel good about their own mental health – there’s still room for improvement

We’ve already seen that SME business leaders are a resilient group – you are willing to do whatever it takes to ensure business survival and you’re happy to extol the virtues of business ownership even during the most challenging of times. The leaders in our survey also broadly consider themselves to have strong mental health. Over two thirds say their mental health is at least ‘good’ – with a quarter saying it is ‘very good’.

Interestingly, while stress at work is often considered to be a cause of poor mental health or burn-out, business leaders believe that on the whole, work has a positive impact on their wellbeing. 40% believe this, compared to just 25% who think the opposite.

This is in part due to leaders having strong support networks both inside and outside of the business. 74% feel well supported by family and friends, and 62% feel they have good access to platforms and resources that will help their business progress in the future.

However, it would be a mistake to think that this suggests running a business is easy.

Half believe they end up taking on too many roles, and a staggering two fifths (40%) say they’ve considered exiting their business due to its impact on their wellbeing. This latter statistic is particularly worrisome, so what can you do to avoid this?



## **2/3 of SME leaders say their mental health is good**

More believe work has a positive impact on their wellbeing than a negative one. This is partly due to having the support of both family/friends and platforms/resources. Many still believe they have to take on too many roles, and this can drive people to consider exiting their business due to stress.

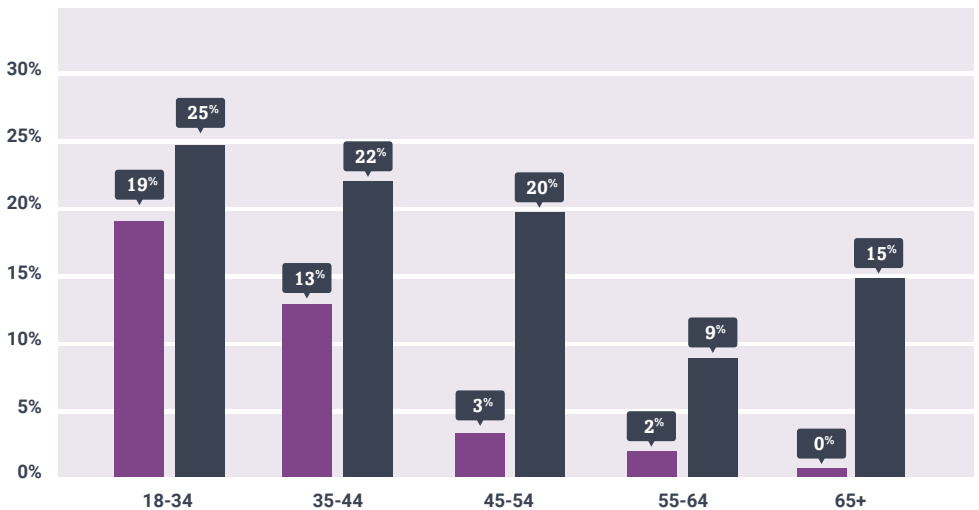
# Time out is key to good mental health for business leaders

As a business leader, it is likely that you possess many of the traits discussed above; such as a determination to make your business work under challenging circumstances. However, there are still specific actions that you can take to protect and maintain your mental health. There are myriad different techniques and approaches that individuals take to do this, with the most cited being physical

activity (48%) and getting good sleep (47%). Techniques used vary significantly by age however. Attending therapy sessions is substantially more common amongst younger leaders, with one in five (21%) 18-24s having done so compared to 0% of over 65s in our survey. Meditation is also much more common amongst the under 55s compared to those over 55 (23% vs 11%).

% who undertake certain activities for their mental health by age

● Attending therapy ● Meditation



## Mental health practices by SME leaders % difference between good and poor mental health

+79%



Ensuring screen-free time at the end of the day

+65%



Taking time out (e.g. time away from work)

+38%



Making sure to get a good nights' sleep

+14%



Talking to others in my org. about workload/stress

+13%



Physical activity

+10%



Managing my diet and drinking

-5%



Meditation

-16%



Talking to friends and family about mental health

Percentages represent relative levels of focus of leaders with good (versus poor) mental health.

That said, a key enabler of strong mental health for business leaders is the ability to take a step away once in a while. This may mean taking regular leave from work, or simply ensuring a time each day to give yourself a chance to 'switch off'.

If we compare the techniques undertaken by those citing 'good' mental health to those suggesting 'poor' mental health, the two areas where we see the biggest difference are 'taking time out' and 'screen-free time'.

On the same theme - when it comes to taking leave, while it's not always the case

that 'more holiday equals better mental health', there does seem to be a minimum threshold to protect your wellbeing.

There is a clear negative difference in mental health amongst those that take very low levels of leave during the year. 61% of those reporting good mental health take at least 3 weeks holiday per year (compared to only 50% of those citing poor mental health), and those that have poor mental health are three times as likely to take less than a single week off per year than those with good mental health.

We know that leading a small business can feel all-encompassing, but taking a step back at regular intervals is vital to ensure you're able to keep driving your business forward over the long-term.

There can also be hugely important learnings here for your wider business, not least because your attitude to your wellbeing can set the tone for your employees. Setting minimum annual leave policies or encouraging staff to take time off regularly throughout the year is valuable. Setting smaller goals which might feel more achievable may help to guide employees to make the most of their leave.

Looking after your own mental health is key, but so is looking after that of your employees.

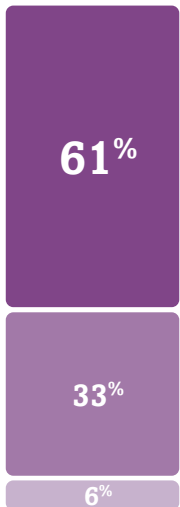
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## Setting minimum annual leave policies or encouraging staff to take time off regularly throughout the year is valuable

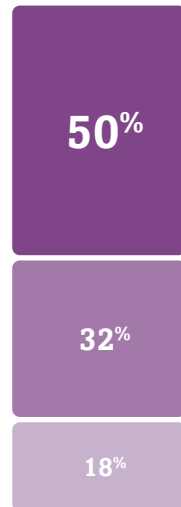
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### Amount of holiday taken on average annually

#### Those with good mental health



#### Those with poor mental health



● 3+ Weeks    ● 1-2 Weeks    ● <1 Weeks



# Staff wellbeing is generally positive, but this needs to always remain a key focus for you as a business leader

When it comes to employees, most business leaders reported that they believe staff wellbeing and mental health is positive. Not only that, but three times as many believe that it has improved rather than declined over the past year.

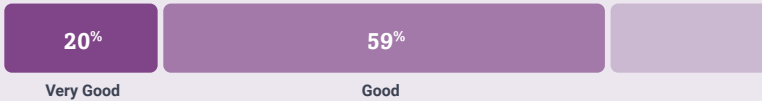


## Staff Wellbeing

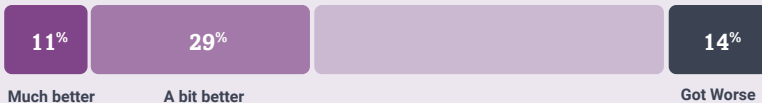
**41% of SME leaders believe that staff wellbeing has improved over the past year**

### Employee mental health

#### View of overall employee mental health

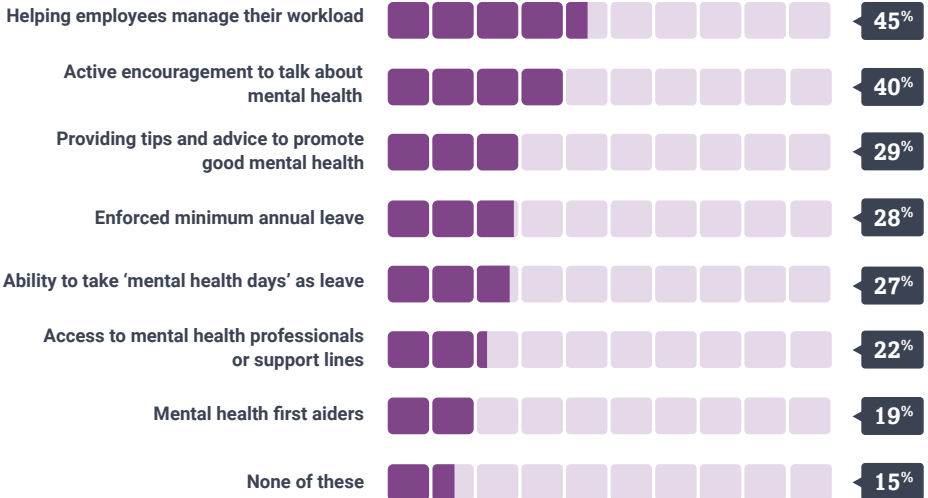


#### How this has changed over the past year





## Initiatives in place to support employee mental health



However, business leaders realise that this is a highly important area and one that they continually need to focus on and get support with. 88% say that employee wellbeing and mental health is an area for focus in the next 12-18 months, with 79% reporting they would greatly value external support in this area.

While external support undoubtedly has its place, there are also initiatives that you can be looking to incorporate into your everyday processes. We asked business leaders what employee mental health practices they had in place, which included a list of 7 different choices.

Currently, none of these seven have been implemented by more than half of SMEs, and 15% hadn't implemented any at all.

Even those that have been implemented by a significant number are typically more 'informal' initiatives such as managing workload and encouraging conversation. More tangible areas such as having mental health first aiders or access to professionals have only been adopted by around a fifth of SMEs.

Despite positive overall views of staff mental health, many SMEs may still need to look at their operations in this area. Ask yourself, how can you ensure that your general support of employee wellbeing is backed up by a commitment to investing in and implementing specific initiatives?

## Case Study

When looking at how to encourage good mental health for themselves and their employees, Funding Circle customer Tina Kebe, owner and Director of Pany Chaud Bakery, says, “when it comes to mental health, as a business, we understand the importance of our own and our employees’ wellbeing. Without the correct frame of mind, the normal daily tasks can overwhelm you.”

Tina goes on to explain that she encourages her staff to do the following to improve and maintain a good mental health in the workplace, “take time to reflect, time off when required, advocating best practice and care to ensure standards are maintained.”

Felix at ANNA Cake Couture also thinks focusing on your employees is vital. The positive mindset and nature of prioritising staff wellbeing is the first and most important value for ANNA Cake Couture with its core value being, “we’ve got each other’s backs”.

**To achieve this, Felix breaks it down into three key elements:**

1. Understanding our employees’ purpose and having pride and passion in all that they do. Thinking about why they work for us and where they want to go with it. If that is clear, then it will go a long way to them seeing success and happiness.
2. Ensuring our colleagues help each other and the team is comfortable in communicating their feelings with one another, and their managers.
3. Staying fit, healthy and eating cake...



# Wellbeing initiatives and resilience go hand in hand

**While these initiatives are valuable for the sake of employee wellbeing, they are also worth implementing for the sake of the business as a whole.**

As we saw earlier, high resilience businesses are more likely to prioritise staff wellbeing, and we also see that this translates into putting initiatives in place. Those who don't have any of the initiatives in place for staff are much more likely to display low levels of business resilience than those who do. Three times as many low resilience businesses have no wellbeing initiatives in place, compared to high resilience businesses (27% vs 9%).

This is a stark contrast, suggesting a real and tangible link between being a business that takes staff wellbeing seriously and is willing to invest time and/or resources into it, and being one that can survive in the long term.

But which specific initiatives are most indicative of a resilient business?

## % with mental health first aiders in place



When we dig into the data, the one that is most highly correlated with being a resilient business is having 'mental health first-aiders'. High resilience businesses are over three times as likely to have these in place compared to low resilience ones (28% vs 8%).


To be clear, this is unlikely to be directly due to having these first aiders in place, but more that having them shows probably the greatest commitment to employee wellbeing of the seven areas we have explored. This is particularly important as the notion of mental health first aiders is, at the time of writing, being discussed in the UK Parliament, with a possible new law requiring businesses to put them in place in a similar way to physical first aiders.

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## Three times as many low resilience businesses have no wellbeing initiatives in place, compared to high resilience businesses

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What's important is that if this is the way in which things progress – and mental first aiders become mandatory – they don't become purely a 'box-ticking' exercise. Ensuring they become more widespread across the business landscape is likely to be a highly valuable initiative, but businesses must ensure that, to maximise this value, it is implemented in a way that truly benefits employees, not simply because it is a requirement.



**What is a mental health first-aider?  
According to MHFA England, Mental  
Health First Aiders are;**

Trained individuals that are able to spot the signs and symptoms of mental ill health and provide help on a first aid basis. In the same way as learning physical first aid, MHFA teaches people how to recognise those crucial warning signs of mental ill health and feel confident to guide someone to appropriate support. Embedding MHFA training within any organisation or community also encourages people to talk more freely about mental health, reducing stigma and creating a more positive culture.

**<https://mhfaengland.org/>**

# It's not just about the initiatives – it's about the mindset

To reiterate, it is not simply that if you have these initiatives in place, you automatically become a resilient business. It's about adopting a mindset that acknowledges the importance of happy staff and ensures that it is a priority. When we asked the areas in which business leaders would most like support, high resilience businesses ranked 'staff wellbeing' in 3rd place, compared to low resilience businesses that ranked it 7th.

## Areas of support desired by high and low resilience businesses

### Initiatives businesses would like support with for employee mental health



#### High resilience SMEs

- 1 Sales/Business development
- 2 Marketing
- 3 Staff wellbeing
- 4 Research and development
- 5 Sustainability
- 6 Innovation
- 7 Raising investment
- 8 Recruitment
- 9 Risk management
- 10 Accessing financial services



#### Low resilience SMEs

- 1 Sales/Business development
- 2 Marketing
- 3 Accessing financial services
- 4 Sustainability
- 5 Raising investment
- 6 Risk management
- 7 Staff wellbeing
- 8 Innovation
- 9 Research and development
- 10 Recruitment

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# Businesses exhibiting employee-focussed measures such as knowledge sharing, performance reviews, and bottom-up innovation - were less likely than “unhealthy” organisations to go bankrupt

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In the same vein, when asked how helpful support for employee wellbeing would be, almost half (47%) of high resilience SMEs said it would be ‘very helpful’ compared to just a quarter (25%) of low resilience ones.

We might expect the opposite, given that high resilience SMEs are more likely to have initiatives in place already, but this is not the case. Rather than considering employee wellbeing ‘dealt with’ and support to be unnecessary based on a few initiatives being implemented, resilient SMEs are those that place a higher priority on getting things right now and want to keep improving.

In McKinsey’s analysis of business resilience in late 2022<sup>4</sup>, they opined that ‘Talent and culture underpin everything—now and for the future’. They found that businesses exhibiting employee-focussed measures such as knowledge sharing, performance reviews, and bottom-up innovation, were less likely than “unhealthy” organisations to go bankrupt over the first two years of the pandemic.

**Ultimately, we have seen throughout this report that there are a lot of routes to become a more resilient business, but it’s clear that if you look after your people, your business is going to be on much stronger footing.**

<sup>4</sup> <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/raising-the-resilience-of-your-organization>



# In summary: building resilience can make you stronger, happier and more successful

In this report we have looked closely at the concept of resilience in SMEs. We have seen what factors make a business more resilient, trends among different types of businesses, and the relationship it has with the success of a business and the wellbeing of its people.

There are lessons that can be learned for businesses of all shapes and sizes, as well as confirmation for many that their initiatives are well-placed to succeed. Here we recap some of the key takeaways that can help you and your business to use resilience to flourish.





# 1

## **Focusing on resilience represents a huge opportunity**

Everyone would agree that resilience is a positive characteristic for a business to have. However, what we've seen in this report, is that what constitutes resilience is more complex than many would expect, and that all businesses have areas where they can improve. With the clear links of resilience to recent success and confidence for the future, there is a significant opportunity to help your business thrive by making it part of your core strategic planning and exploring some of the tangible steps outlined.

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# 2

## **Strong resilience is about more than finances**

Having the financial flexibility to adapt to changing circumstances is a key factor in resilience, but focusing on that alone would limit your potential. Operational resilience is also strongly linked with success and is arguably easier to influence as it does not require access to additional capital.

Explore contingency and risk planning or expand what you do already. Seek as much customer feedback as possible and embrace trial and error in a sustainable way. In short, dedicate time to evaluate your operations and take proactive steps to make them more adaptable and robust.

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# 3

## **Invest in your people**

Looking after the wellbeing of you and your staff is also vitally important in building resilience. Making it a top priority is strongly linked with success, as is putting in specific initiatives to make it happen.

So, to improve your resilience, invest time and resources to enhance your staff's wellbeing, whether it's through mental health first aiders, providing relevant tips for your industry or minimum annual leave. Look after yourself too, particularly by taking holiday and giving yourself down time at some point in the day.

When issues arise, you and your employees are going to be central to any response you have, so making sure you are all as healthy and supported as possible should be a top priority.

# A checklist of takeaways

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**Here, we have quickly summarised ten things that you can do as a business, to further develop in becoming resilient and supporting a strong culture of wellbeing**

- ✓ Consider all aspects of resilience – financial, operational, and personal
- ✓ Create or expand your contingency plans
- ✓ Scour your business for ‘single points of failure’ where you currently have no alternatives
- ✓ Identify ways in which you could embrace survivable trial and error, and test new ways of doing business
- ✓ Seek out new sales channels – whether online or offline
- ✓ Build a stream of regular customer feedback
- ✓ Create mechanisms for staff to make suggestions and give ideas
- ✓ Ensure there’s downtime in your personal routine
- ✓ Book a holiday
- ✓ Add a new staff wellbeing initiative – i.e. do you have mental health first aiders in place?



For more information on how to build resilience along with tips and guides, please visit

**[fundingcircle.com/resilience](https://fundingcircle.com/resilience)**

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