



Financial Resilience – Building a Safety Net for Your Business



An initiative of
the European Union

Session Objectives:

Understand the concept of financial resilience and why it matters.

Identify key financial risks in your business and ways to mitigate them.

Understand how the EU Late Payment Directive protects SMEs and supports cash flow stability.

Learn practical strategies to build a financial safety net.

Financial resilience is the ability of a business to withstand and recover from financial shocks, whether it's a dip in revenue, delayed payments, or rising costs, without losing stability or long-term viability.

- Enables quicker recovery from setbacks
- Builds investor and lender confidence
- Creates space for innovation in uncertain times
- Protects employees, customers, and brand trust

Reflection – On a scale of 1 to 5, how financially resilient do you feel your business is right now?
(with 1 being fragile and 5 being strong)

Three Pillars of Financial Resilience:

1. Cash Flow Management
2. Emergency Funds & Reserves
3. Diversified Revenue Streams

Reflection - *Which pillar does your business need to strengthen the most?*



Cashflow Management

Cash flow is the **lifeblood** of your business.

82% of small business failures are due to **poor cash flow management**.

Even profitable businesses can fail if they run out of cash.

Practical Strategies:

- Use a **cash flow tracker** (spreadsheet or tool like Xero/QuickBooks).
- Monitor **inflows and outflows weekly**.
- **Negotiate better payment terms** with clients or suppliers.
- Use **invoice reminders** or auto-invoicing.
- Know your **break-even point**.

Know your rights under the **EU Late Payment Directive** — businesses can claim interest and compensation for late payments.

Reflection - Cash Flow Snapshot

Estimate your average monthly income and expenses. Do you currently have a positive, neutral, or negative cash flow?



EU Late Payment Directive

The **EU Late Payment Directive (2011/7/EU)** was introduced to **combat late payment in commercial transactions**.

It applies to all **business-to-business (B2B)** and **business-to-public authority (B2G)** transactions within the EU.

Core purpose:

To ensure that suppliers (especially SMEs) get paid on time and are fairly compensated when payments are delayed.



Key Rights Businesses Have Under the Directive

Area	What the Directive Says	What Businesses Can Do
Payment Terms (Private Sector)	Payment must be made within 60 days unless otherwise expressly agreed and not grossly unfair.	Set clear payment terms in contracts (≤ 60 days unless justified).
Payment Terms (Public Sector)	Public authorities must pay within 30 days (exceptionally 60).	Use this to challenge delays in public contracts.
Interest on Late Payments	Automatically entitled to statutory interest — at least 8% above the ECB reference rate .	Add this clause to invoices and remind clients of the legal rate.
Compensation for Recovery Costs	Businesses are entitled to a minimum €40 fixed compensation , plus reasonable recovery costs.	Add a line on invoices: “In case of late payment, statutory interest and recovery costs under Directive 2011/7/EU will apply.”
Unfair Contract Terms	Terms that exclude interest or extend payment periods unreasonably are invalid.	Review supplier/customer contracts; reject clauses that are “grossly unfair.”


Emergency Funds and Reserves

Why it matters:

- A buffer protects against **unforeseen disruptions** (e.g. late payments, equipment failure).
- Provides **peace of mind** to make clear business decisions without panic.

Practical Guidelines:

- Aim for **3–6 months of fixed business costs** (rent, salaries, subscriptions).
- Save a **set percentage (e.g. 5-10%) of income** monthly into a reserve fund.
- Consider **automated transfers** to build it consistently.
- Keep funds **separate** e.g. savings account or instant-access business account.



Reflection - Imagine your biggest client cancels their contract tomorrow. Could your business survive 3 months?


Diversified Revenue Stream

Why it matters:

- Relying on one client or product = **high risk**.
- Multiple income sources = **stability + opportunity**.
- Diversification builds **resilience during market shifts**.

Ideas to Explore:

- Add **digital products** (e.g. guides, templates).
- Launch a **membership or subscription** model.
- Offer **online workshops or consulting**.
- Explore **affiliate income or partnerships**.
- Create **low-effort, passive income streams** that align with your expertise.



Reflection - List your current revenue streams. How many do you have?

Donna Williams
Founder of
Hayfield Bookkeeping and
Accounting



Sue Chamber
Senior Investment Manager
River Capital



Practical Steps to Build a Safety Net

Toolkit for Resilience:

- **Automate Savings** (Set aside a % of revenue)
- **Negotiate Flexible Terms** (With suppliers, landlords)
- **Insurance & Legal Safeguards** (Key policies for your industry)

Automate Savings – Make It a Habit

Why it matters:

- Small, consistent actions are more effective than sporadic efforts.
- Automating removes emotional decision-making and builds discipline.

Practical Steps:

- Decide on a savings % (e.g., 5–10% of monthly revenue).
- Set up **automatic transfers** into a reserve or savings account.
- Use business banking tools
- Label your accounts clearly: “Emergency Fund,” “Tax Buffer,” “Growth Fund.”

Reflection - If you saved 5% of your average monthly income for 6 months, how much would you have?

Negotiate Flexible Terms – Strengthen Your Agreements

Why it matters:

- Reducing cash flow pressure = greater breathing room.
- Many suppliers/landlords are open to flexible terms, **if you ask**.

Practical Steps:

- Request **extended payment terms** (e.g., Net 30 to Net 60).
- Negotiate **rent deferral** or seasonal payments during slow periods.
- Seek **volume discounts** or **bundle offers**.
- Propose **mutual benefit clauses** in supplier agreements.
- Create a “**Negotiation Checklist**” for recurring expenses: rent, stock, services.

Reflection - Think of one cost you could renegotiate. What would you ask for? What benefit can you offer in return?

Essential Insurance Types for European SMEs

Insurance Type	Purpose	Applicability
Public Liability Insurance	Covers injury or property damage to third parties during your operations.	Businesses interacting with the public.
Professional Indemnity	Covers claims for negligence, errors, or omissions in services/advice.	Consultants, designers, financial advisers.
Employer’s Liability	Mandatory in most EU countries; protects against claims from employees injured or ill due to work.	Any SME with employees.
Business Interruption Insurance	Covers lost income due to disasters (fire, flood, etc.) disrupting operations.	All businesses.
Cyber Insurance	Covers losses due to cyberattacks, data breaches, GDPR fines, etc.	Online, digital, eCommerce businesses.

Note: Insurance requirements may vary by EU country; always consult local regulations.

Legal Safeguards:

Regularly review contracts and terms & conditions.

Ensure compliance with **GDPR** for data protection.

Maintain clear and comprehensive supplier/client contracts.


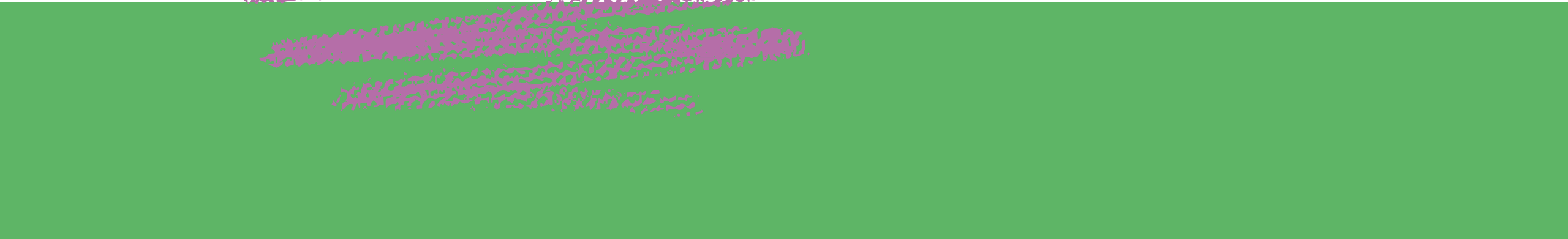
Reflection - What's the biggest vulnerability in your business right now?

- 1) Lack of insurance coverage
- 2) Unclear contracts
- 3) GDPR/data security
- 4) Staff/employment law
- 5) Cybersecurity risk

Reflection

What's one action you'll take to build your business's financial resilience?

Be aware of your legal rights and tools, such as the Late Payment Directive, to strengthen financial resilience

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Pathway 1
I want to become an entrepreneur
What I need to know and do



Pathway 2
I want to upskill
Upskilling - how to build



Pathway 3
I want to grow my business
Building my know-how



Pathway 4
I want to reflect and grow
Reflecting on my know-how

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