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The Macro Environment: how SMEs can build resilience in challenging economic conditions



Running a business has rarely felt more demanding. SME leaders are navigating rising costs, changing customer expectations, evolving regulation, and rapid technological change — often all at the same time.

While these pressures can create uncertainty, they also present opportunities for businesses that stay close to their numbers, understand their risks, and plan ahead.

Understanding the macro environment

The macro environment refers to the external economic, political, technological, legal, environmental, and social factors that influence how businesses operate. While businesses cannot control these forces, they can monitor them and adapt accordingly.

Key factors shaping today's business landscape include:

- Persistent inflation and rising operating costs
- Higher employment costs and ongoing skills shortages
- Elevated borrowing costs and tighter access to finance
- Geopolitical uncertainty affecting supply chains and markets
- Rapid technological change, including artificial intelligence (AI) and automation
- Increasing cyber security and data privacy risks
- Evolving regulatory requirements
- Growing expectations around governance and sustainability

Every business will experience these pressures differently, but few are unaffected.

Why SMEs are particularly exposed

Unlike larger businesses with greater financial reserves, SMEs often have less capacity to absorb economic shocks. Cash flow can tighten unexpectedly, customer payment cycles may lengthen, supplier costs can rise with little warning, and recruitment can remain competitive.

Business owners are therefore balancing day-to-day operations with strategic decisions in an increasingly unpredictable environment.

Better decisions start with better visibility

Strong decision-making starts with a clear understanding of business performance. Reliable financial information helps business leaders identify issues early and respond before they become significant problems.

Business leaders should regularly review:

- Cash flow forecasts
- Profitability by customer, product or service
- Working capital performance
- Debt levels and financing arrangements
- Key business risks
- Customer concentration
- Supply chain dependencies

Clear, reliable information gives business leaders greater confidence to make informed decisions, respond quickly to change, and identify opportunities for growth.

Cash flow remains critical

Even profitable businesses can run into difficulty if cash flow is not managed carefully. Maintaining a clear view of future cash requirements helps businesses respond quickly when circumstances change.

Practical steps such as improving debtor collections, reviewing supplier payment terms, managing inventory effectively, and updating cash flow forecasts can strengthen financial resilience. Businesses with a clear understanding of their cash position are also better placed to invest when opportunities arise.

Planning for different scenarios

No business can predict future economic conditions, but scenario planning allows leadership teams to prepare for a range of outcomes.

Testing how changes in revenue, costs, interest rates, or customer demand could affect profitability and cash flow helps businesses make faster, more confident decisions if circumstances change. It can also provide reassurance when discussing funding requirements with lenders or presenting plans to investors.

Good governance supports better decisions

For SMEs, good governance means maintaining clear oversight of financial performance, effective decision-making, and appropriate internal controls. It is not just something for large businesses.

Leadership teams should regularly consider:

- Do we have accurate and timely financial information?
- Are we monitoring the right performance indicators?
- Have we identified our key business risks?
- Are our internal controls still appropriate?
- Could we respond effectively to a cyber incident or major disruption?

Regularly reviewing assumptions and risks enables businesses to act proactively, rather than reactively.

Managing an evolving risk landscape

Today's macro environment has expanded the range of risks businesses need to manage. Alongside financial pressures, businesses increasingly face cyber threats, fraud, data protection risks, supply chain disruption, regulatory compliance challenges, business continuity concerns, and talent retention issues.

A structured approach to risk management helps businesses prioritise resources and focus on the areas that matter most.

Looking beyond compliance

Many businesses view audit primarily as a statutory requirement. However, a high-quality audit should provide much more than compliance.

An effective audit offers independent assurance over financial reporting while providing practical insight into internal controls, governance, and opportunities for improvement. This independent perspective becomes particularly valuable during periods of uncertainty.

By understanding the business, its controls, and its processes, auditors can help identify areas where financial reporting, governance, and internal processes can be strengthened. This can give shareholders, lenders, and other stakeholders greater confidence.

Turning uncertainty into opportunity

While today's macro environment presents significant challenges, it also creates opportunities for well-prepared businesses.

Businesses with strong financial reporting, effective governance, and robust risk management are often better positioned to secure funding, attract investment, win larger contracts, expand into new markets, and build confidence with customers and suppliers.

Those that understand their financial position and make informed decisions are often best placed to invest, innovate, and grow when opportunities arise. Periods of uncertainty often reward businesses that continue to plan strategically, rather than simply reacting to events.

How Sumer NI can help

At Sumer NI, we're passionate about championing SMEs and helping businesses prosper. We believe great advice should be practical, approachable, and focused on what matters most to business leaders.

Whether you're looking to strengthen governance, improve reporting, manage risk, or prepare for future growth, our team can provide independent insight and practical support to help you make confident decisions.

As your business champion, we're here to help your business build resilience, unlock opportunities, and thrive for the long term.

If you'd like to discuss how your business can strengthen its resilience, or how your audit can deliver value beyond compliance, get in touch with Sumer NI.

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