Business Insights

Building business resilience in a volatile market

How the right banking relationship can provide a powerful advantage

Business owners and executives love stability, predictability and the general sense that everything is going according to plan. Unfortunately, such assurances have become increasingly elusive in today's environment. For most companies, the new normal is marked by perpetual uncertainty and volatility; it's only a question of how extreme.

While a volatile market can make many aspects of running your business more difficult, the good news is your competitors are facing the same challenges, and there are proactive steps you can take to stabilize your company and get ahead. In this article, we'll explore the concept of volatility in more depth, offer strategies to build resilience, and explain how a strong relationship with a trusted banking partner can position your company for long-term success.

VOLATILITY IS ON THE RISE

Volatility isn't a buzzword — it's the backdrop of all major decisions businesses make today. Global interconnectedness means that a disruption in any region can have worldwide repercussions. Add to that the accelerating impacts of artificial intelligence, cybercrime, climate change, and geopolitical instability, and you have an environment defined by unpredictable change.

Economic variables such as inflation, interest rates, taxes, oil prices, supply chains and labor markets can shift without warning, making it harder for companies to plan, invest or operate with confidence.

HOW YOUR BANKER CAN HELP

While you can't prevent market volatility, you can take steps to mitigate the risks it creates for your company. A trusted business banker can be an essential part of that effort.

A banker who understands your business and your industry can answer the tough questions, evaluate your financial position, help you identify strengths and weaknesses, and provide tailored guidance to avoid pitfalls and seize opportunities. In practice, this might include steps to preserve liquidity and manage working capital, achieve more favorable financing arrangements, or implement treasury services to operate more efficiently. Simply put, a good business banker can be one of your most valuable partners when times get tough.

FIVE TIPS TO STAY STRONG THROUGH VOLATILITY

Every business has its unique challenges, but a few actionable strategies can help you weather uncertainty:

1. **Continue learning.** Work to understand the economic factors that impact your business the most and stay abreast of current events and longer-term trends that may necessitate changes.
2. **Maintain liquidity.** Ensure you have access to funds you may need to weather an economic downturn, drop in demand or supply disruption. Liquidity could come from a combination of cash reserves and a business line of credit.
3. **Delay non-essential spending.** Holding back some "dry powder" will position you to strike when the right opportunity appears, such as buying a distressed competitor or investing in assets when prices are low.
4. **Reduce debt.** If you can do it without jeopardizing liquidity, paying off variable or high-interest debt strengthens your balance sheet and creates financial flexibility if your business needs to pivot quickly.
5. **Focus on efficiency.** Every step you take to reduce your costs of doing business makes you less vulnerable to unpleasant surprises.

GET THE MOST FROM YOUR BANKING RELATIONSHIP

Of all the actions you can take to reduce exposure to market volatility, choosing the right banking partner should be near the top of the list. When comparing options, look for experience in your industry, good communication and a demonstrated commitment to your business.

If you've been with the same bank for years, take some time to review the relationship and make sure it's still the best fit. The business banking team at Frost is here to help you navigate uncertainty with confidence — and turn volatility into opportunity for your business.

WE'RE HERE TO HELP

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