

# A Tech Startup Survival Guide



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These are unprecedented times and the challenges being presented to business owners are huge. As business owners ourselves, we know and understand the problems being faced. Striking a balance between ensuring the wellbeing of staff and other stakeholders, business continuity, and maintaining productivity and liquidity is going to be very complex for everyone. There are, and will be, many opportunities to take advantage of. This guide aims to share our thoughts and knowledge by way of some tips and advice.

In the coming days, we'll be producing more content which we believe will be useful for you and your business. We will also be contacting all of our clients to discuss the fast approaching recession and how it may impact your business. We urge you to pick up the phone and talk to us, we are here to support and guide you through these extraordinary times.

We have pulled together a panel of experts that go way beyond standard accountancy; covering HR, business resilience, corporate finance and contingency planning. We will be hosting a webinar next **Wednesday 25<sup>th</sup> March at 10am** to delve into our tips & advice in much more detail and provide guidance on reshaping your business to survive. You can register to attend the webinar here: [ACT NOW – Business Resilience and Future Success](#)

## **ACT NOW – Business Resilience and Future Prosperity**

### **WEBINAR**

Join our panel of experts who will be discussing business survival and resilience during these unprecedented and challenging times.

- Wednesday 25<sup>th</sup> March
- 10am – 11am

There will be a live feed available so you can ask questions to the panel throughout the webinar.

We are here to support you and your business, together we can ride the storm and come out successful.

**[REGISTER NOW](#)**

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# Here are our top tips and advice on business survival

## 1. Create a response team

Consider the primary functions of your business - these will fall under four headings; Strategy, Operations, Support and Culture, and this will help to ensure your response is well rounded and complete.

As an example, the primary functions of your business may be: Sales (falls under operations), Purchasing (falls under operations), HR (falls under support), Communications and IT (both fall under support). Changing product lines or pivoting in response will fall under Strategy.

Cultural aspects flow through all of the above, and should be considered at every stage. How will employees feel about your plans?

When it comes to the response team, what will make it effective? Some suggestions:

- a) The team should include members who can adequately cover those primary headings.
- b) Clearly set roles and responsibilities.
- c) An agreed way for meetings to be run (including how they will be held).
- d) Reporting protocol – who owns the action points?

## 2. Protect employees and productivity

The current guidance from the UK Government is that employees should be working from home “where possible”, which is rather vague.\* The onus appears to be on employers to make the determination as to whether or not that is possible on behalf of their employees.

In order to do this, we would suggest that:

- a) Employees are profiled according to the roles they perform – how easy is it for them to switch to working from home (WFH), do they have the requisite equipment to perform their job away from the office? If an employee’s role doesn’t lend itself to WFH, can they be re-tasked?
- b) HR policies are reviewed to ensure that WFH arrangements are adequately covered.
- c) Thought is given to utilising technology to retain a sense of teamwork and collaboration; we have seen Microsoft Teams, Zoom, Skype, Google Hangouts, Slack and WhatsApp all be effective in this respect. It’s likely that you already have something in place, but how can you make the most of it now?

We are typically seeing that the majority of tech startups have the upper hand in this respect as they already use and understand the remote working tools. If they don't, however, this period represents a great opportunity to get remote working tools in place which can be used not just during this crisis, but for years to come.

### **3. Cash is everything**

A business can run for a long time with no revenue if it has a substantial cash balance. The problem with a crisis such as this is that cash burn rates can accelerate quickly as sales dry up and the focus shifts from performance to crisis management.

The global stock markets have crashed in the recent weeks which indicates that investor appetite is currently low on the public markets. We are yet to see the full impact that this has had on the private market, but we would expect that VC money is being held back and funnelled into supporting existing portfolio companies.

Whilst we are going back to basics here, it's worth saying this: communicating with investors is key. Open conversation with investors as soon as possible to keep them updated with your planned response and revised financial targets. It's a two way street, so don't be afraid to ask what their intentions are in the coming months. If they're going to cut off a supply of cash then you want to know as soon as possible, and likewise if they aren't, you'll still want to know.

Once you have certainty over where the cash is coming in from, you can then plan a more focused response.

### **4. Review customers and revenue streams**

Probably the most important thing here is to keep communication active. Share your business continuity plans, stress that you remain open for business, and ensure that they have access to key contacts.

It's also crucial to have clear sight of your competitive environment. For example - what's happening to demand, how are your competitors behaving, and do you need to consider alternative channels to market (we have seen many restaurants pivot to takeaways for example)?

### **5. Evaluate your supply chain**

There is an obvious need to consider the various links in your supply chain. What could happen up and down-stream that would interrupt your own processes? Are there alternative supply sources you could tap into? Can you quickly redesign products and services so that problem components are not required? Do you need to step up your health and safety protocols so that it is safe for deliveries to be made to your site(s) or for you to visit customers? Communicating your efforts in this will be important. If you're a cloud based business, ensuring uptime of your service is paramount especially if usage numbers are prone to peaks and troughs.

## **6. Perform financial modelling**

An adaptable rolling 13 week cash flow forecast is strongly recommended, as it was during the last recession. This is an early warning system. Will the business run out of cash? What is the funding requirement? How long will this situation last?

It's hugely valuable for you (and for us as your advisers) to take these forecasts to your bank, investors, suppliers or indeed HMRC when looking at solutions to working capital problems. The key thing with forecasting is to clearly state assumptions, try to support those assumptions with data garnered from outside of the company, and include sensitivity analysis. At the same time, this needs to be a relatively quick process so reasonable accuracy is the game here, not perfection.

Whilst performing your modelling, examine overheads – are there some easy wins where you're incurring expenditure unnecessarily? Sometimes even a review of your direct debits can reveal some surprises. We often find that tech companies have lots of subscription payments for SaaS platforms that are no longer used. A review of these may identify areas to save costs and reduce the cash burn rate.

## **7. Finance and investment for startups**

The Government have acknowledged that the support is currently being provided predominantly by loans (see more information in section 9) which aren't helpful for businesses already entering liquidation or startups that don't fit a normal debt funding profile.

If you have a history of successful R&D claims, you may be able to use them as security against a loan. The idea is that the loan provider will lend the company £x now, then the future R&D receipt from HMRC will act as the repayment of the loan. We're able to organise these directly so please let us know if you want to explore this route.

You could raise money in advance of the next big round by making use of convertible loan notes (CLN) or advance subscription agreements (ASA). CLNs are designed to get money into the company relatively quickly, and they will usually convert to equity on the next qualifying fundraise. The holder of the CLN enjoys the slightly increased protection of being a creditor rather than a shareholder until the point of conversion. ASAs are designed to get money into a company even quicker, and they act as a 'prepayment' to a future qualifying fund raise. Both may provide a much needed cash injection if things run dry.

If you're currently raising, it may be worth increasing the amount raised slightly to provide for a few extra months of runway. This can be done by simply increasing the amount raised, or it could be by way of a venture debt top up.

## **8. Think legal, insurance, tax, etc.**

It's crucial that you understand the potential legal ramifications of business interruption, particularly where you have contractual arrangements with customers or suppliers. Determine worst case scenarios and what recourse you have to your insurers, and what can be done to mitigate risk. The majority of business interruption insurance policies specifically exclude pandemics, so it is worthwhile reviewing your policies in detail.

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You may need to open dialogue with a landlord with respect to rent payments (or indeed a lender with respect of loan repayments), the local authority in respect of rates, and HMRC in relation to time to pay any current tax liabilities. The Government have announced financial support in the form of grants and loans, and we'd expect to see more of the same in coming months, it's important to understand if and how you can access that support.

Co-working spaces typically operate on a 1 month notice period, so if the employees of the company are working from home for the foreseeable future, a quick cash saving may be to serve notice on these leases if you are operating from a shared workspace (customised offices will need more consideration).

## **9. Make use of the help available**

From the Budget and subsequent announcements, the Government have extended the following support to help UK industry to meet the considerable challenges we face.\*

### **a) Business rates relief from April 2020**

All businesses in the retail, hospitality and leisure sector will be given 100% relief from business rates for 12 months.

### **b) Grants**

£25,000 grants to retail, hospitality and leisure businesses in smaller premises with a rateable value over £15,000 and below £51,000.

Local Authorities in England will provide £10,000 to each of the approximately 700,000 businesses currently eligible for Small Business Rate Relief (SBRR) or Rural Rate Relief. You do not need to apply for these grants as your Local Authority should contact you directly.

### **c) Loan Support**

For small and medium-sized firms, the Business Interruption Loan Scheme allows the government to guarantee 80% of loans up to £5m, with no interest due for the first six months. This scheme will be administered by the High Street banks working alongside the British Business Bank. The purpose of the loan is to help keep previously profitable businesses afloat in the up and coming difficult period, rather than helping businesses to expand or scale.

Large firms will benefit from a support scheme dealt with directly by the Bank of England. At the time of writing, it appears that this will be in the form of the business issuing debt which the Bank of England will promise to buy up.

**d) Regulatory**

The implementation of the off-payroll working in the private sector rules that were due to come into force on 6 April 2020 has been delayed until 6 April 2021.

**e) SSP**

SSP is now payable from the first day of sickness absence, rather than the fourth day, to people who have COVID-19 or have to self-isolate in accordance with government guidelines.

To support the self-employed and employees below the lower earnings limit who are not entitled to SSP but are affected, contributions will be paid from day one rather than day eight, and advance payments of universal credit will be available without attending a jobcentre.

There is more information on our blog here: [A HR Helping Hand During COVID-19](#).

**f) Time to Pay**

There is a dedicated phone line – 0800 0159 559 – for businesses and self-employed struggling with tax debt due to COVID-19. We understand that HMRC will offer a 1 – 3 month delay in payment. If at that stage, the company still is unable to pay, a more formal payment plan can be discussed.

*\*As at the time of publication 20/03/2020*

## Further resources

- [When to take action – contingency planning with UHY](#)
- [Cashflow concerns in the face of COVID-19](#)
- [COVID-19: support for businesses – Gov.uk](#)
- [Support for employees, benefit claimants and businesses – ICAEW](#)
- [Technical guidance – World Health Organisation](#)

We'd like to close by saying, please do what you can to stay safe, look after yourselves, your family and your work family. We'll all get through this together.



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**01462 687333**

[letchworth@uhy-uk.com](mailto:letchworth@uhy-uk.com)

[www.uhy-uk.com/letchworth](http://www.uhy-uk.com/letchworth)

UHY Hacker Young (East). PO Box 501, The Nexus Building, Broadway,  
Letchworth Garden City, Herts SG6 9BL

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