Contents

What is risk and resilience and why is it important?

Risk and resilience are two interconnected concepts that help individuals, communities, and organisations navigate uncertainty and recover from disruption.

Risk refers to the likelihood of harm or loss and the potential consequences of that harm. It can stem from natural disasters, economic shifts, cyber threats, health crises, or even everyday decisions like where to build a home or how to invest money.

- It's about anticipating what could go wrong.
- Assessing how likely it is to happen.
- Understanding how severe the impact could be.

Resilience is the capacity to absorb shocks, adapt to change, and recover quickly. It's not just about bouncing back - it's about bouncing forward with improved strength and flexibility.

Resilience means having systems, strategies, and mindsets in place to withstand disruption and thrive despite it.

Risk and resilience are essential for:

- **Sustainability**: Building long-term systems that can endure change
- **Preparedness**: Reducing the impact of disasters before they happen
- **Adaptability**: Responding to evolving threats like climate change or cyberattacks
- **Strategic growth**: Turning challenges into opportunities for innovation and improvement.

Risk and resilience when starting a business

Risk and resilience are absolutely foundational for start-ups, because start-ups are inherently risky ventures. They operate in environments full of uncertainty, limited resources, and constant change.

To survive and thrive, startups need to be resilient, which means they have the ability to adapt, learn, and recover in the face of those risks. It's what keeps the business alive when things don't go to plan.

The types of risk that start-ups face

One of the most challenging aspects of launching a business is dealing with uncertainty.

These uncertainties can be grouped into **internal risks** (arising from within the organisation) and **external risks** (originating from the broader market or environment). Understanding both is key to building resilience and making informed decisions.

Internal risks

Risk Type	Description	Risk factors	Mitigation
Operational	The start-up experiences failure or disruption in day-to-day processes, systems, or execution.	Inefficient workflows or bottlenecks.	Automate repetitive tasks and streamline operations.

		Poor documentation, or lack of Standard Operating Procedures (SOPs). Over-reliance on manual processes.	Create clear documentation and SOPs. Use project management tools to track progress and accountability.
Product	The startup's product or service will not meet the needs or expectations of the target market, or that competitors will outperform it.	Building without validating customer needs. Unclear value proposition. Poor UX.	Conduct thorough market research to validate assumptions. Test prototypes and iterate based on feedback.
Financial	The startup will not have enough cash to sustain its operations, or that it will not be able to raise funds from investors, lenders, or customers.	Inaccurate forecasting or overspending. Lack of financial controls or oversight. Dependency on a single revenue stream. Delayed payments / unfavourable terms.	Implement robust budgeting and financial tracking systems. Diversify income sources. Maintain a cash buffer and review financials regularly.
Team	The startup's team will not have the skills, experience, or motivation to execute the vision, or that they will encounter conflicts, turnover, or burnout.	Lack of experience or skill gaps. Poor communication or misaligned goals.	Hire for culture fit and complementary skills. Set clear roles, responsibilities, and communication norms. Invest in leadership coaching.
Strategic	The start-up experiences poor decision making around vision, growth, or partnerships.	Misaligned goals or unclear strategy. Entering markets too early or too late. Choosing the wrong partners/investors.	Develop a clear and adaptable strategic roadmap. Validate market entry with pilot programmes or soft launches. Vet partners thoroughly and align on values and expectations.
Cultural	The start-up has a poor or toxic company culture that affects morale and performance.	Lack of transparency or trust. Poor feedback mechanisms. High staff turnover or team conflict. Misalignment between values and actions.	Define and live by core values. Foster open communication and psychological safety. Regularly assess team morale. Use equity or incentives to retain key talent.

External risks

Risk Type	Description	Risk factors	Mitigation
Market	Changes in customer preferences, demand fluctuations, or market saturation.	Economic downturns. Misalignment with target audience needs. New competitors or disruptive technologies.	Conduct regular market research and customer validation. Segment customers. Monitor competition. Stay agile – pivot offerings based on feedback.
Economic	Broader economic conditions, like inflation, interest rates, or recession.	Reduced customer spending. Difficulty securing funding. Rising operational costs.	Build financial buffers and maintain lean operations. Secure flexible funding options. Monitor macroeconomic indicators to anticipate changes.
Regulatory and Legal	Changes in laws, compliance requirements, or licensing regulations.	Non-compliance penalties. Delays dues to permits or approvals. Unexpected legal liabilities.	Stay informed on industry-specific regulations. Implement internal compliance protocols. Consult legal experts.
Technological	Rapid tech evolution or reliance on unstable platforms.	Obsolete systems or tools. Cybersecurity vulnerabilities. Dependency on third-party tech.	Invest ins scalable and secure infrastructure. Regularly update systems and train staff. Have contingency plans for tech failures.
Supply chain	Disruptions in sourcing, logistics, or vendor reliability.	Delays or shortages. Rising costs. Quality issues.	Diversify suppliers and build local partnerships. Maintain inventory buffers. Use tech to track and optimise logistics.

Managing risk

One of the most crucial aspects of running a successful startup is managing the risks that inevitably arise. Risk management is all about anticipating uncertainty and building a framework that helps you respond quickly and wisely when things go off-script.

A comprehensive risk register will help you avoid or minimise the negative impacts of potential threats - or even turn those challenges into opportunities for innovation and growth.

Startups that treat risk management as a strategic asset (not just a safety net) are usually the ones that build resilience, earn trust, and position themselves for long-term success in a constantly evolving landscape.

How to develop a risk register?

Step 1: Identify Risks

Start by listing all potential risks—both internal and external. Think across categories:

- **Market risks** (e.g. changing demand, competition)
- **Financial risks** (e.g. cash flow, funding gaps)
- **Operational risks** (e.g. supply chain, staffing)
- **Legal/regulatory risks** (e.g. compliance, permits)
- **Technological risks** (e.g. system failures, obsolescence)

Tip: Use brainstorming sessions, SWOT analysis, and industry benchmarks to identify hidden risks.

Step 2: Assess and Prioritize

Evaluate each risk based on:

- **Likelihood** (How probable is it?)
- **Impact** (How damaging would it be?)

Tip: Use a simple matrix (Low/Medium/High) or scoring system to prioritize which risks need immediate attention.

Step 3: Develop Mitigation Strategies

For each high-priority risk, define how you'll reduce its likelihood or impact:

- **Market risk:** Validate ideas early with customer feedback.
- **Financial risk:** Maintain a cash buffer and monitor burn rate
- **Operational risk:** Document processes and cross-train staff
- **Legal risk:** Consult with legal advisors and stay updated on regulations
- **Tech risk:** Invest in scalable, secure infrastructure

Step 4: Assign Ownership

Make risk management a team responsibility. Assign specific risks to team members or departments so there's accountability and follow-through.

If you're a **sole trader**, assigning ownership still matters - it just looks a little different. Break risks down by function (e.g. *financial*, *operational*, *legal*, *marketing*) so you can treat each area with focused attention.

For high-impact risks, you may wish to consider outsourcing or consulting. For example:

- Hiring a bookkeeper or purchasing accounting software for financial oversight
- Using legal templates or speaking to a solicitor for compliance
- Joining peer networks or mentoring groups for strategic feedback

Step 5: Monitor and Review

Risk isn't static, so make sure to review your risk register regularly. You may wish to:

- Set monthly or quarterly check-ins
- Track emerging risks and adjust mitigation plans
- Use KPIs to measure how well risks are being managed

Step 6: Create a Contingency Plan

For critical risks, prepare a "Plan B." This could include:

- Emergency funding sources
- Backup suppliers or systems
- Crisis communication templates

Example risk register

You can build your risk register in Excel, Sheets, or any project management tool. Or you can download a ready-made template from a reputable website. Here is a sample risk register:

Description	Category	Likelihood	Impact	Severity	Owner	Mitigation	Contingency	Review date
Low product-market fit	Market	High	High	Critical	Founder	Conduct early user interviews and MVP testing	Pivot product features based on feedback	01/10/2025
Cash flow shortage	Financial	Medium	High	High	Accountant	Maintain lean operation, maintain cash buffer	Delay non-essential spending	15/10/2025
Supplier delay	Operational	Low	Medium	Medium	Founder	Vet suppliers, maintain buffer stock and alternative suppliers	Prioritise orders based on urgency and communicate transparently with affected customers about revised delivery timelines	10/10/2025
Low engagement on posts	Marketing	Medium	Medium	Low	Comms Manager	Track analytics and adjust content strategy	Shift focus to proven high-engagement content types and consider running a short-paid campaign to boost visibility while testing new creative angles.	05/10/2025
Regulatory compliance issues	Legal	Low	High	Medium	Founder	Consult solicitor, stay updated on relevant news	Pause operations until compliant	20/10/2025
Cybersecurity breach	Technological	Low	High	Medium	Founder	Use secure hosting, MFA, regular audits, and staff training	Notify users, activate recovery protocols	15/11/2025
Social media backlash	Reputational	Medium	Medium	Medium	Comms Manager	Monitor sentiment, have crisis comms plan	Issue public statement, engage community	08/10/2025

Negative customer reviews	Reputation	Medium	Medium	Medium	Comms Manager	Implement feedback loops and proactive support	Respond publicly, offer resolution, and improve service delivery.	01/11/2025
Founder burnout	Team	Medium	High	High	Founder	Set work boundaries, delegate tasks	Take short leave, see	30/09/2025
Delayed funding approval	Financial	Medium	Medium	Medium	Founder	Apply early, maintain multiple funding options	Adjust budget, seek bridge funding, pause expansion plans	15/10/2025
Overreliance on a single customer for revenue	Strategic/financial	Medium	High	High	Founder	Diversify customer base, develop new sales channels, and monitor customer dependency	Activate emergency cash flow plan, reduce overheads, and accelerate outreach to new customers. Consider short-term subcontracting if needed.	10/10/2025