Managing Risk in Uncertain Times
Proactive Action

To help turn panic into productive and proactive steps, we have outlined major risks and mitigation strategies that all organizations should explore.
COVID-19
Beliefs & Assumptions

♦ Customers and employees are likely experiencing “panic”
♦ Major disruption is likely.
♦ Plan for the worst – “this will pass” is a non-starter.
♦ Regardless of your personal opinions, you must understand that your employees and customers are reacting differently than you.
♦ Customers will respond in ways you didn’t expect. Expect the unexpected.
6 Steps

01. Protect Your Employees
02. Identify Exposure
03. Safeguard Revenue
04. Model Cost-out Structures
05. Stabilize Operations
06. Offense
Protect Your Employees

1. Implement best known practices for employees and over-invest. Exercise empathy. Recognize that your employees are experiencing a wide range of emotions.
   1. Follow CDC Protocols.
   2. Understand the Families First Coronavirus Response Act
3. Communicate regularly and transparently.
4. Provide guidance in difficult times.

**EXAMPLES**

- Communicate daily or at least weekly using texting apps, video meetings, instant messaging, or conference calls.
- Move to seven days per week, partial shift teams and being flexible with families.
- Minimize or eliminate in-person meetings, non-essential travel and develop a visitor screening policy.
Identify Exposure

1. Model three scenarios:
   1. Low Risk
   2. Economic Downturn
   3. Liquidity Crisis
2. Determine “do now” and “emergency” operational strategies for each scenario.

**EXAMPLES**

- Determine what products/services are most likely to perform in each environment and shift marketing spend to optimize.
- Contact suppliers to determine security of supply. Seek alternative options. Discuss their potential risks and corresponding ripple affects.
- Develop new spending limits and approval process for various departments.
- Right size operations.
Safeguard Revenue

1. Contact your clients and communicate your plans.
2. Aggressively manage client segments that are potentially higher risk to address their specific concerns.
3. Pivot resources to your best and highest use.

**EXAMPLES**

- Develop a “Ford Focus” product. If you sell Cadillacs and your buyer base might shift, consider a Ford Focus option.
- Contact current contracts in the late stages of the sales cycle and secure when possible.
- Avoid slashing prices – rather capitalize on “in-demand” products and services.
Model Cost-out Structures

1. Determine at-risk components.
2. Review cost-out in three model scenarios:
   1. Low Risk
   2. Economic Downturn
   3. Liquidity Crisis

EXAMPLES

Create flexible shift models and consider shifting employees in non-critical roles, to higher risk areas.

Consider adjusting operating hours.

Seek commitments on supply minimums and increase stock levels for risk items.
Stabilize Operations

1. Diligently manage liquidity and the balance sheet.

EXAMLES

- Create a GL account that is specific to COVID-19 expenses for ease of tracking related expenses and government reporting.
- Freeze hiring when possible. Consider outsourcing functions to save labor costs; marketing, accounting, and IT are possible areas to optimize savings.
- Increase automation and find efficiencies. Reward employees for identifying a cost savings or revenue generating idea.
- Postpone major investments.
- Move to a zero-budget model by budgeting quarterly for only as-needed items.
- Secure emergency funding. The SBA’s Economic Injury Disaster Loan offers $2 million in assistance to pay fixed debts, accounts payable and other bills that can’t be paid because of the disaster’s impact. [Apply here.](#)
Play Offense

1. Position yourself to be ahead of your competitors and take market share in the early stages of recovery.
2. Leverage macro trends to see what’s around the corner.

EXAMPLES

- Use a rate of change model to forecast trend changes. Ask us how.
- Consider acquisitions or the development of a strategic product.
- Ramp up sales and marketing efforts to gain market share at the beginning of an upward trend.
The Nichols Accounting Group is a boutique Accounting and Consulting Firm that works with privately held businesses to help them save taxes, grow wealth and manage risk.

Contact us today to strategize on managing risk in uncertain times.

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