| **Event** | **Problems that can be caused** | **Working through it** | **What to do beforehand to limit the impact** | **Opportunities** |
| --- | --- | --- | --- | --- |
| Key staff resigns abruptly | * Loss of technical skills * Loss of capacity * Loss of leadership * Feeling of betrayal | * Stop feeling sorry for yourself * Find out why they want to leave and try to convince the person to stay, if that fails…. * Be prepared to take on a more hands-on role to fill the gap * Make sure the staff member leaves behind all company property (including intellectual property) and is off payroll * Share the workload amongst remaining staff as fairly as possible * Contact anyone you know who might have the skills you need * Consider paying a higher price for a temporary staff member * Contact staff from a competitor, maybe someone there wants to leave | * Train all staff in multiple jobs * Ensure key staff have a longer than average notice period (e.g. 3 months) * Consider putting in a non-compete clause in employment contracts to stop staff joining a competitor * Keep track of people in the industry or technical sector who might one day work for you * Join online networks of people in the industry or sector, use it to find staff quickly * Take great care not to put too much responsibility on one person * In some countries, it is possible to take out key staff insurance policies * Keep your staff aware of your plans, that is often enough to generate loyalty. | * Time for a reshuffle of roles and responsibilities? * Chance to reward another staff member with an overdue promotion * A new staff member could bring new energy and ideas * This is a chance to really test the market for a particular skill-set, use it. |
| Sudden arrival of a new competitor | * Loss of sales * Product confusion amongst customers * Potential loss of staff * Reduced availability of raw materials | Act to keep your customers by offering   * Discounts * Match competitors’ prices * credit terms * Loyalty rewards   Act to keep your suppliers by offering   * Advanced orders * Faster payment * Larger orders   Act to keep your staff by offering   * Salary increases * Training * For long-term staff, shares in the business | * Build up brand loyalty by providing benefits to long-standing customers * Monitor competitors’ prices regularly * Adjust prices to match competitors as much as possible * Secure long-term supply arrangements with key suppliers * Ensure that your salaries match or are better than competitors | * Could there be a strategic alliance with the new competitor? * Will the competitor consider buying your business? * Is it time to move to a new market * Can you diversify your products or services? * Is it time to invest in new machinery or modern production or delivery methods? * Is it time to use more IT in your business to cut costs and expand the market? |
| Late payment by large customers | * Cash flow problems * Potential loss of a large customer * Potential legal costs to recover the money * Could be an indication of tough times ahead for many customers | * Stay in contact with the customer * Find short-term financing to cover the cash deficit * Consider charging a late payment fee * Seek legal advice in case court action is necessary later * Offer a payment plan * If it looks like the customer is going out of business, suggest a large discount for immediate payment – better than getting less than that, or nothing at all, many months from now after liquidation | * Try to limit the percentage of total sales to any single customer * Include in conditions of sale, a clause that states the goods belong to the seller until paid for in full * Consider using a factoring service * If payments are delayed consider carefully if additional sales should be made to the same customer * It might be possible to obtain bad debt insurance | * Time to diversify the customer base? * Is the customer a potential investment target? Now might be a good time to convert a debt into an asset. |
| Problems with banks | * Refusal of loan/overdraft applications * Poor credit rating shared with other lenders * Early repayment of existing loans/overdrafts | * If problem is personal, recognise that this is not a relationship of equals. The bank has money, you need it. They hold the power * Open discussions with an alternative bank about transferring accounts, loans and overdrafts | * Maintain relations with more than one bank * If negotiating a loan ensure there are no early repayment fees- this could stop you moving the loan to another bank * Maintain good personal relationship with the bank manager assigned to your account | * Explore online banking options   Consider alternative financing models   * [Peer to peer](file:///C:\Users\Anna\Downloads\Glossary%20of%20terms%20without%20example%20calculations.docx) * [Crowd funding](file:///C:\Users\Anna\Downloads\Glossary%20of%20terms%20without%20example%20calculations.docx) * [Microfinance](file:///C:\Users\Anna\Downloads\Glossary%20of%20terms%20without%20example%20calculations.docx) * [Asset based financing](file:///C:\Users\Anna\Downloads\Glossary%20of%20terms%20without%20example%20calculations.docx) * [Warehouse receipt financing](file:///C:\Users\Anna\Downloads\Glossary%20of%20terms%20without%20example%20calculations.docx) |
| Bad debt | * Cash flow problems * Loss of big customer * Could signal deeper market problems | * Keep records of all communications and efforts made to recover the money – this could be useful when negotiating credit from your bank or other lender to cover the cash shortfall * If the customer is still in business, consider legal action | * For all new large customers, conduct a customer evaluation – sometimes referred to as ‘know your customer’ * For overseas customers, your government might offer some export protection or support * Consider asking large, new customers to pay a proportion of the price in advance | * Chance to reflect on sales practices – could this have been avoided? |
| Currency devaluations | * Cash flow problems * Higher prices for imported materials * Higher income from international sales (if any) * All prices will tend to rise in time including wages but it might not be possible to raise local currency selling prices * Bank might wish to renegotiate loans or overdrafts to increase the interest rate | * If possible set sales prices in a foreign currency * Find local suppliers for any materials currently imported * If foreign currency is needed to purchase imported materials, wait as long as possible – the exchange rate is likely to settle down after a few weeks once panic buying of foreign currency subsides * If the business exports and receives payment in foreign currency, use the windfall profits as a strategic reserve for future expansion | If your business buys imported materials   * Consider holding some cash in the foreign currency * Keep looking out for local suppliers of those materials   If you export and get paid in foreign currency   * Consider opening an additional outlet or production site overseas to counter the impact of devaluation on the business | * Overseas expansion * Get into exporting * Find more diversified suppliers at home and overseas * If bank tries to raise interest rates, shop around for an alternative – not all banks will be affected equally by currency devaluations |
| Machinery breakdown | * Loss of production * Staff sitting idle * Loss of sales | * Search for alternative production capacity * Consider purchasing a new machine which might be cheaper than waiting for a repair * Move idle staff on to other tasks | * Sign a maintenance contract * If available, buy machinery breakdown insurance * Make arrangement with a competitor to allow use of each-other’s machines in the event of break downs * If the critical machine is old, consider holding a high stock of the output of that machine so that sales are not affected * If it is affordable, keep a second identical machine as standby * Make sure staff are trained in other functions so they can be put to use when ‘their machine’ is idle | * Maybe time to invest in a new machine * Perhaps get the machine completely overhauled or upgraded rather than just repaired |
| Market changes | * New regulations add costs * Exchange controls affect movement of funds * New technology threatens to destabilise current business norms | * Remember, all your competitors will be affected in the same way – don’t panic * Understand the changes quickly and fully * Embrace the new technology (even if you can’t yet make use of it) * Stay in touch with customers and reassure them that things will be fine | * Join a trade association or chamber of commerce – they are often consulted about proposed changes to regulations and will keep you informed * Make political connections to learn about proposed changes introduced by government * Become an activist in favour of/against the action that could be taken | * In business, as in life, the quickest to adapt to new situations are usually the ones who survive |
| Political uncertainty | While everyone waits to see what will happen   * Customers may be reluctant to buy * Banks may be reluctant to lend * Most government procurement goes on hold | * Remember that everyone is in the same boat * Consider selling outside the country * Ask lenders to allow a repayment holiday * Encourage customers with discounts and deals * If it continues for more than a short time, consider shutting to save on running costs if sales figures don’t justify staying open * Stay in touch with customers and reassure them that things will work out | * Try to sign flexible contracts with staff (e.g. bonusses in busy times and temporary lay-offs in lean times) * Consider setting up a satellite outlet or production site in a neighbouring country that can be rapidly expanded if the main site is significantly affected * Set up an uncertainty fund to be used in times like these | * Great time to train otherwise idle staff * Great time to overhaul otherwise idle equipment |