| **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%3A%5CUsers%5CAnna%5CDownloads%5CGlossary%20of%20terms%20without%20example%20calculations.docx)
* [Crowd funding](file:///C%3A%5CUsers%5CAnna%5CDownloads%5CGlossary%20of%20terms%20without%20example%20calculations.docx)
* [Microfinance](file:///C%3A%5CUsers%5CAnna%5CDownloads%5CGlossary%20of%20terms%20without%20example%20calculations.docx)
* [Asset based financing](file:///C%3A%5CUsers%5CAnna%5CDownloads%5CGlossary%20of%20terms%20without%20example%20calculations.docx)
* [Warehouse receipt financing](file:///C%3A%5CUsers%5CAnna%5CDownloads%5CGlossary%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
 |