THE ART OF DE-RISKING A BUSINESS



by Rochelle Clarke

In an environment of increased uncertainty, more businesses are finding that employing risk mitigation strategies is no longer an option; but a key component of a robust business strategy.

As a trusted advisor, it is no doubt that your clients turn to you for sound guidance and direction when they are at their most vulnerable, facing unexpected and unseen events.

You would have experienced this during the recent pandemic. However if you have been in the business of advising for long enough you know that you sometimes serve as a listening ear as your clients experience and go through personal events that can also have an adverse impact on the business' operations.

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www.ContinuityStrength.com
info@SuccessionStrength.com

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In business, there is seldom ever a clear line between personal and professional, particularly when working with smaller businesses and entrepreneurs. Actually, the opposite typically prevails.

The Impact of Disruption

Take for example, the case of a successful couple in their 13th year of business. Hit hard by COVID, both end up ill; their business operations halt, resulting in missed payments to creditors. With no plan in place and no one with the instructions or ability to run the business without them, the couple miss multiple payments jeopardizing the firm's financial standing and goodwill.

> The right, timely guidance insulates a business so that it can continue to grow uninterrupted.

Any major disruption in a business owner or leader's personal life can have a tremendous effect and impact on their performance in and operation of the business. The follow-on impact on the ecosystem of those who rely on the business - employees, customers and other key stakeholders goes without saying. This is why trusted advisors exist.

You are not only able to provide sound guidance and counsel related to business matters within your field of expertise; you are also often expected to opine on the impact that potentially disruptive events could have on a businesses operations and chart an acceptable course forward.

You inadvertently have a front row seat to the dramas that may unfold within the personal lives of your clients. Which gets us to the topic of de-risking the business.

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The Importance of Timing

As an advisor it is critical for you to provide the right, timely guidance that insulates the business from disruptions as much as possible so that it can continue to grow uninterrupted, maximizing the overall value of the enterprise for all involved. Whether the disruption comes in the form of one of the 5 D's that will impact 50% of businesses: an unexpected death, disability, divorce, distress or disagreement; you can still play a role in the process.

> Insurance provides a payout; a Business Continuity Plan allows for an actionable, intentional response.

You may not be the fire fighter putting out a literal fire in a building, however your timely counsel to have a client proactively anticipate and mitigate unforeseen eventualities - the de-risking conversation - can be the action that safeguards and protects people, operations, and profits.

This type of contingency planning for the business usually takes the form of a document called a business continuity plan.

Some may be wondering about the role that insurance plays in de-risking a business. While it is a key component, it should not be the only component. Insurance only provides a payout if certain factors are met that prove the eligibility for payment of a claim. For a business owner in the throes of a disruption, the anxiety and lack of control that the additional uncertainty engenders could be frustrating.

Certain regulatory institutions like banks and hospitals are required by law to have business continuity plans in place. There is a reason for this.

Studies indicate that business continuity plans work. They reduce disruptions, improve resilience and improve post-disruption recovery times. While the government finds it necessary to protect the continuity of operations of critical institutions, don't you and your



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clients feel equally as passionate about protecting the continuity of their business operations for the benefit of their families, employees and key stakeholders?

Regardless of the size of the business, once there are people relying on the income of that business, a business continuity plan is recommended. This contingency plan can be easily shared with a spouse, family member, office manager and usually provides peace of mind that the business operations can continue in a crisis.

The middle of a disruption, when emotions are running high, is usually not the best time to be thinking about putting a plan in place or figuring out the minute details of keeping the business in operation. Sometimes, the very survival of the business could depend on the speed of an appropriate response. The best time to make those types of decisions is usually well in advance of any potentially disruptive events.

A sound business continuity plan forms part of a sound business strategy. It has the right directions and procedures documented in one place to guide the business in responding confidently and recovering quickly to a crisis. A sound business contingency plan functions like a preparedness checklist but with more detail regarding the business' operations.

Components of a Business Continuity Plan

While not exhaustive, the main components of a sound business continuity plan address:

- GOVERNANCE: whom to contact when crisis hits. This covers key stakeholders including members of the business continuity team and how to contact them;
- ACCESS AND DOCUMENTATION: where to find critical information in a hurry. This includes the location of key documents, assets and partners;
- OPERATIONS: how to continue operating. This includes a critical functions and their workarounds following a Business Impact Analysis; communication plan; training approach and helpful information to maintain key relationships.

The Continuity Strength online Business Continuity Plan generator allows clients to create professional business continuity plans in minutes and receive resilience improvement suggestions that allow advisors to keep them accountable on the journey to resilience. Visit www.ContinuityStrength.com.

If you would like to discuss your Business Continuity needs, please email info@SuccessionStrength.com.

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