

## Title:

Managing Risk: The Disaster Plan That You Will Need!

## Word Count:

735

## Summary:

A very important factor in any business is how you manage risk - yet it is a factor that is often ignored by home businesses.

You have to realise that any time you start a business, you are taking the risk that the business might fail. What experienced people do is shield themselves from risk at every opportunity, to make sure that they can keep a business going for months on the brink of disaster, and wind it down gracefully if it really has to go under.

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## Keywords:

## Article Body:

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You have to realise that any time you start a business, you are taking the risk that the business might fail. What experienced people do is shield themselves from risk at every opportunity, to make sure that they can keep a business going for months on the brink of disaster, and wind it down gracefully if it really has to go under.

You need to have a plan for what you're going to do if your business looks like it's going bankrupt. Are you going to borrow more money, if you can? Sell your car? Raise prices? Get rid of staff? Done right, you should have a good package of 'rescue measures' that really do have a chance of rescuing the business.

Borrowing.

If you need to borrow more to keep your business afloat, take great pains to avoid looking desperate. Act like your business is moderately successful but needs more investment, and you're far more likely to succeed in getting more

funding.

Bye-Bye Staff.

This is a bad idea, but not always a terrible one. In a home business, you presumably only take on staff because you have enough business to cover it, don't you? So it makes perfect sense to get rid of the staff when things start to go wrong and go back to doing it all yourself.

Price Hike.

When your business is in trouble, there are few things guaranteed to destroy it faster than a price rise. Just don't do it, however tempting it might be - cut costs instead. If you absolutely must raise prices, do it by scaling back what you get for your money in each of your price ranges, without actually raising the prices.

I know of a struggling bus company that kept its fares the same for years but gradually started to run fewer buses and send them all over town, making journeys take longer. People reacted a little badly to the longer journeys, but it was nowhere near the scandal that there would have been if prices had risen.

Keep Staff Pay Aside.

Whatever you do, make sure to keep staff pay separate from the other business finances, and pay it out immediately if the business looks to be heading for trouble with its creditors. It is far better to be paying your staff on the last day than to be giving all that money to the creditors. Leaving staff unpaid will destroy your reputation, not to mention hurting a lot of innocent people.

The 'Closing Down' Sale.

If you plan it well, your last day in business might not be so bad. Just make sure everyone knows that you're closing down for real, but still price everything ever-so-slightly above cost. In this way, you can avoid the drastic loss-making 'Everything Must Go!' mentality, and come out of your business the same way as you would if you'd decided to shut it down that day for some other reason.

Selling Your Business On.

If you're shrewd about it, you might be able to keep your business going long enough to sell it to someone who could turn it around. There's nothing dishonest

about this route - it's the one most big companies take if things start to go wrong. You might even find that one of your competitors is willing to buy, even if only for your established customer base.

It's Up to You.

Disaster plans are very personal, and they depend a lot on how much risk you're willing to put on yourself. If you do things the sensible way, then you'll go as far as you can to avoid selling or borrowing against any of your own assets just to keep a business afloat. On the other hand, if you're really determined and a bit of a risk-taker, putting some things of your own at stake might buy you enough time to recover from whatever hit your business.

It's a little like playing poker: are you going to be the guy who walks away and leaves his money on the table, or are you going to throw your car or house keys onto the table and raise the stakes? That's risk management for you.