

10 Questions to Determine Your Recession Risk

1. Does the company have a risk committee?

- › Is it properly chartered?
- › Is it staffed appropriately?
- › Does it continuously review the status of known risks and scan for emerging risks?

2. Are systems and processes in place to monitor and analyze the right recession-related metrics?

- › Can timely action be taken in response to changes?
- › Is the information distributed to the right decision-makers?
- › Do approval policies need to be adjusted for recessionary decision-making?

3. Is there a business continuity plan in place?

- › Has it been tested?
- › When was it last updated?

4. How much revenue is at risk?

- › Is the company's product/service essential or discretionary?
- › Does the company rely on a small number of customers?
- › How many customers are expected to have their own financial problems?
- › How will customer satisfaction be managed?

5. Are employees ready for a recession?

- › Are employee assessments and job descriptions current?
- › Are employees cross-trained?
- › What's their tolerance for risk and change?

6. What's the likely impact on profits?

- › Which cost-cutting measures are available?
- › How can product costs be reduced?
- › How can overhead be reduced?
- › What flexibility exists to reduce personnel costs?
- › What happens if the company misses earnings expectations or debt covenants?

7. How might the company's supply chain be impacted in a recession?

- › Does the company rely on a small number of suppliers?
- › How many suppliers will have their own financial problems?

8. What is the potential effect on cash flow?

- › Does the company have adequate cash reserves?
- › Is the company already overleveraged?
- › Does the company have access to outside capital? If so, how much?
- › Are there underperforming assets that can be sold to raise cash?
- › Can the company back-burner costly initiatives to preserve capital?

9. How will the recession impact the company's competitive set?

- › What are the competitive advantages of the company's products/services?
- › Are alternative promotion plans necessary?

10. Is key-person life insurance appropriate?