

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?