

WEATHERING THE STORM OF FUTURE ECONOMIC TURBULENCE



with sound financial and risk management planning

With economic growth slowing and inflation soaring, businesses both large and small are feeling the effects of economic uncertainty while bracing themselves for a potential recession. Additionally, labor issues, the supply chain crisis, and geopolitical conflicts are all variables which have conflated to test organizations' ability to remain productive and profitable. Businesses are now looking for ways to help weather the storm.

Fortunately, there are steps you can take to help safeguard your balance sheet from economic instability. Business leaders can use this as an opportunity to take proactive steps to optimize their cash flow management and improve their liquidity.

Here are some quick reminders about how you can be better financially prepared during periods of economic downturn:

1 Organize

Maintain accurate financial statements and review them regularly so that you always have full visibility into the financial state of your business. Staying abreast of your company's finances makes it easier to make preventive changes if your cash flow is moving in a negative direction.

2 Model scenarios to test your resilience

Forecasting your cash flow before you experience issues can allow you to prevent situations that could put you in a bind, and to create contingency plans for worst case scenarios. Will you have large bills to pay before you receive payment for services you've rendered and limited cash on hand to fall back on? Being organized, as mentioned above, can help you see potential future financial traps.

3 Stay on top of billing and invoicing

Analyze your customer base and know who has a history of paying early or late, as well as who might be in danger of going out of business. The speed with which customers pay you has a direct impact on your cash flow and liquidity. Issue invoices as soon as possible, clearly communicate your terms for payment, and implement penalties for late payments to encourage customers to pay on time. Also, provide as many payment options as possible (check, credit card, ACH, Wire) that include ease of use, but also contemplate any fees that may be incurred for any of these products.

4 Review all vendor agreements

Now is the time to look at your contractual obligations to ensure that the terms of your agreements are still competitive. If you have good relationships with your vendors, you might even be able to renegotiate the terms of your agreements to free up cash.



DID YOU KNOW?

If you work with outside vendors, it's a valuable risk mitigation practice to include cyber insurance in their contract as a requirement to do business with your company. Outside vendors you regularly work with or that have access to any of your systems, can put you at risk if they experience or cause a cyberattack. A secondary benefit is that in the event of a significant cyber event, a cyber liability policy can help avoid your vendor going insolvent as a result.

5 Invest in growth, carefully

In times when you expect sales to slow, reevaluate how you're spending money on projects and their strategic impact. Buy less inventory and freeze unnecessary spending to protect your liquidity.

6 Look for ways to reduce costs

Now is the time to find areas in your business where you might be able to reduce costs. Assess business units, identify areas that are underperforming, and restructure to minimize costs as needed – optimizing your supply chain, making adjustments to your production, and more.



DID YOU KNOW?

Adequately structured insurance coverages and limits can offer significant financial protection in the wake of a triggering event, making insurance one of the best investments you can make for your business.

7 Use data and technology to your advantage

You should take advantage of technology enabled solutions to streamline business processes and increase efficiency. Additionally, using data in tandem with digital tools empowers you to more reliably forecast profit and loss, build better models and forecasts, and identify blind spots where you might be wasting money.



DID YOU KNOW?

When it comes to risk management, using technology for insurance benchmarking analysis can help you set up goals, identify areas for improvement, lower insurance costs, and prevent future claims.

8 Optimize your insurance coverage

Regularly communicate with your broker partner to ensure that you have the right amount of coverage for your business risks. You don't want to find yourself in a position where you're financially liable for an event that could have been covered by insurance, but you also don't want to spend extra money on lines of coverage or limits that you might not need. Always stay abreast of the risks your business faces and what this amounts to in dollars.

Though persistent, unfavorable economic conditions and the threat of a recession are understandably worrisome, they also create an opportunity for you to make positive changes to the way your business operates and manages its finances. A good starting point is to connect with your broker partner to evaluate how you can build a risk management strategy and put the most appropriate insurance policies in place that help safeguard your company from a crisis.

Contact us for assistance navigating coverage options that can help your business withstand the unexpected.

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