BUSINESS STRATEGY & GROWTH

Why Contingency Plans are a Must

By Leyla Hussein • 15 October 2018

I once sat with a business owner three days after his company had been hacked and customer data had spilled onto the internet. He was not short of intelligence or care. He was short of a plan. Every hour he spent working out what to say was an hour the story ran without him, and by the time he responded the damage had doubled. The hack was bad luck. Having no answer ready was a choice.

Running a business is stressful, and it gets more complicated as it grows. Your costs climb, and so does your workforce and the number of competitors circling. Business is unpredictable, and the unexpected will happen. Maybe your **expanded workforce has become hard to communicate with**, or your target market shifts suddenly. Whatever it is, you have to be ready for it.

What a contingency plan is

A contingency plan prepares you for the unexpected. It forces you to work out the best course of action in response to a disaster or any serious disruption, before it happens. You will have already **written your business plan**, carried out a risk assessment, and produced your contingency plans as a result. They reduce or remove the risk when it lands, and let you act quickly and appropriately to minimise the fallout.

Planning for a crisis

Take that hack. With a plan in place, you respond fast, address the public with a prepared apology and a clear recovery plan, and keep control of the story. Without one, you are slow, and public opinion hardens and grows exaggerated in the silence. But contingency plans are not only for disasters. You could build one for the day a **competitor announces a product** almost identical to yours. That plan might detail how you bring your own launch forward, going public ahead of schedule, or market your product differently to reach a new audience. It would not have been your first choice, but it is a ready second one.

Another kind covers environmental disaster, which matters enormously if you operate somewhere volatile. Say you run a manufacturing company and one of your main facilities, responsible for a third of your output, is hit by a flood while in operation, and your assets take the damage. How bad the flood is determines which plan you reach for. If it is partial, you have a plan for fixing the facility and resuming quickly. If it renders the site unusable, another plan details how you draw on backup funds to buy a new facility, or expand an existing one somewhere else.

The point

Of course you cannot map every possible situation, and some things simply cannot be predicted. But the ones that are likely should always be considered. If you operate in a country prone to floods, you need a plan. If you are in a fiercely competitive market, you need one for what might hit you and the market you share. If you handle a lot of sensitive customer data, you need one. There should always be a set of contingency plans suited to your business and the environment it lives in.