

Managing Risk

Risk is an inherent part of business. Natural disasters, political upheavals and financial turbulence are all challenges regional exporters are exposed to. Assessing, managing and prioritizing risk remains a low priority among CARIFORUM SMEs, with weakness typically observable in operations, funding, treasury, supply chain and route-to-market. Research suggests that over 40 per cent of companies that suffer a disaster go out of business within 18 months of the event, due to loss of confidence by customers, banks and stakeholders.

Key questions

An informed understanding of the uncertainties that could impact on your business should form part of your export planning. Key questions to consider include:

- What would be the effect of the collapse of a major customer or supplier?
- Do you have backup plans if key personnel exit your company?
- What are your contingency plans regarding internet, data storage or power grids in the cases of fire or flood?
- What is coming down the line in terms of currency movements and how can you prepare for them?
- Could changes in energy prices, government policy or import duties radically impact on your competitiveness or viability?

Country and political risk were rarely considered as important before the downturn, but as companies now turn to more challenging territories, their risk management strategies should be mitigated accordingly.

Risk management policy

Managing risk requires a documented risk management policy, centered on minimizing, monitoring and controlling possible negative unforeseen events, in a coordinated, economical way. The policy document should also set out what management can and can't do. Without good risk management practices, companies leave themselves open to litigation on the grounds they did not properly manage their risk. Some important elements to consider:

- It's important not to silo risk, thereby missing possible upsides. Looking at currency risk and hedging entirely from the "threat" perspective as opposed to the "opportunity" perspective is an example of that.
- Preparation is about awareness, not obsession. Heightened concern with one risk, simply because it is current, could mean ignoring others that are more important.
- Chief Financial Officers (CFO's) need to realize that there are negative implications for them in this area. If something goes wrong and the company doesn't have any risk policy in place, then he or she is responsible.

Note: Original text from the Exporter Toolkit from the Caribbean Export Development Agency (CEDA). The content has been updated for the Bahamas Trade Information Portal with permission of CEDA.