Risks and Contingencies

Modified from the following source:
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Some Typical Risks

- Company has no operating history
- Owners have no experience running a company
- A key member of the founding team leaves
- Initial capital needs may be underestimated
- Needed financing may not be forthcoming
- Revenues may be overstated
- Competitive retaliation may be underestimated
- An optimal location may be impossible to obtain
- The economy’s turnaround may be delayed
Contingencies

For each risk, state how the company would deal with it if it were to happen, or how it would limit the adverse impact of the risk.

A business plan gets low marks for **not** acknowledging that it faces certain risks.

- It also gets low marks for **not** having thought through how it would deal with those risks.

Don’t “invent” risks – include only those that are real.
Typical Format

Group the risk and contingency in pairs

- For each risk (usually a sentence), say what the company would do if it happened (usually a paragraph)

- Choose and stick to a consistent format