Why Contingency Plans are a Must

Running a business comes with a lot of stress and can get even more complicated when it grows. Not only do your costs increase, but your workforce and competitors can too. Business can be unpredictable and there are always occasions where the unexpected can and will happen. It could be that your expanded workforce is now very difficult to communicate with, or changes within your target market take a sudden turn. Whatever the situation, you need to prepare for it.

What are Contingency Plans?

Contingency plans help you prepare for the unexpected, it forces you to plan out the most suitable route of action in response to a possible disaster or any other company hinderance. You will have first written your business plan, carried out a risk assessment plan and produce your contingency plan as a result. It reduces or negates the risk should it actually happen. Contingency plans are essential to acting quickly and appropriately, minimising any negative backlash.

Planning for a Crisis

If your company was hacked and as a result, a lot of personal data was released to the public. If you have a contingency plan, you could quickly respond to this cyber-attack and address the public with a prepared apology and recovery plan. If no contingency plan existed, it is likely your company wouldn't be able to respond quickly, and public opinions of your company become more widely known and potentially exaggerated through lack of prompt action.

Contingency plans can also be created for instances not as extreme. For example, you could create a contingency plan for when one of your competitors release news of launching a product very similar to yours. The plan could detail how you would boost the launch of your product beforehand and make it public in advance of the original schedule. You could also plan a way to market your product differently, to appeal to a different audience. This would not have been your original choice but a secondary one.

Another type of contingency plan could refer to environmental disasters. This is particularly important if your company operates in a volatile or high-risk environment. Let's say you own a manufacturing company and one of your main production facilities, which delivers a third of your product, is affected in a flood. Your plan could consist of the necessary actions to take if this happens.

One contingency plan could be subdivided into the different outcomes of the same situation. For example, if the production facility was flooded while in operation, and as a result, your assets are affected. Depending on how bad the flood was, determines the action and contingency plan put into effect. If the facility was partially flooded, there would be a contingency plan on how best to fix the facility to resume operations. Another plan could cover if the flood made the facility inoperable. This plan could detail how the company can use back up funds to purchase a new facility or expand an existing one in a different location.

Conclusion

It's understandable that not every single situation can be mapped out and addressed. There are some circumstances that just cannot be predicted. However, the situations that are likely to happen should be considered. If you operate in a country prone to floods, there needs to be a contingency plan, if you operate in a highly competitive market, there needs to be a contingency plan for what might affect you and the shared market. If you deal with a lot of sensitive client or customer data, there needs to be a contingency plan. There must always be a series of contingency plans suitable for your business and its environment.