WANT BUSINESS RESILIENCY & RISK TOLERANCE? THINK LIKE AN ASTRONAUT

Winning Start-Ups Problem-Solve <u>Before</u> There's a Problem!

Every new headlining venture always begins with a compelling vision-turned-viable business concept. But a start-up's long-term success – it's operational survival -- is entirely dependent on a company's business resilience and a team's risk tolerance. How effectively can your start-up weather the unforeseen? How well will you stand-up to serious impediments? What happens when you get into trouble – of any kind? Operational? Organizational? Financial? In short, are you even thinking far enough ahead to handle the worst?

"WHAT'S THE NEXT THING THAT COULD KILL ME?" – Chris Hadfield, Canadian Astronaut

This incredibly blunt question serves as the title of Chapter 6 in Chris Hadfield's book, <u>An Astronaut's Guide to Life on Earth</u>. And it very succinctly captures the fundamental mindset required to achieve "mission critical" success for any endeavour; most especially those that are "life-and-death." Now this mindset is not about psyching oneself out with doom-and-gloom scenarios that may or may not occur. Hadfield is very clear to state that one cannot operate in a perpetual state of fear. Fear will quickly trigger debilitating procrastination, flawed judgement, decision paralysis, and/or deadly inactivity. Rather, Hadfield emphasizes the importance of preparing for the worst, while gauging its probability, facing your fears, and then managing those fears and worst-case scenarios by building towards (and practicing) the contingencies necessary to mitigate disastrous outcomes. Not only does the entire exercise help ensure you've planned for (and are drilled on) many more potential scenarios that could impact your operations, but that you've also managed the emotional anxiety associated with each. And in all instances, you're already problem-solving before there's even the real pressure of a mission critical problem.

In short, if you want to build resilience and risk tolerance within your team and company; if you want to ensure you're staying ahead of any possible problem; if you want to increase your probability of survival and success; then your entire team needs to ask themselves this question regularly, and across every aspect of your total operation: "What's the next thing that could kill me?"

THINK LIKE AN ASTRONAUT – It'll Make Sure You:

1. **Plan Ahead**
2. **Problem-Solve Before It's a Problem**
3. **Face… and Minimize… Your Fears**

BUT WHAT DOES THIS MEAN IN PRACTICE?

From this point forward, every function in your organization should designate a team representative to periodically examine current operations and determine where there could be risk of failure - Sales. Customer Fulfillment. Product Development. Manufacturing. Recruitment. Finance. And so forth. Run each of these functions through different scenarios and determine whether you're equipped to address the challenge, or whether you need to prepare contingency measures. And remember, these could be "positive" scenarios, not simply negative ones. Business contractions and missed milestones are not the only source of risk or threat. A sudden growth in sales can have a risky impact on manufacturing, inventory management, customer fulfillment, and even cash reserves if the organization isn't prepared to handle a rapid increase in business volume. Growth scenarios can quickly highlight shortcomings or inefficiencies across your operation that can threaten effective customer fulfillment. Let's take a look at some sample functions.

Sales & Marketing

- What happens if you miss your sales goals by 10%? Or 20%? Do you have enough cash reserves to manage the shortfall? Will you still be able to cover your fixed burn? Do you have cash tied up across inventory that's not moving? Can you liquidate through a fire sale? What can you do to accelerate sales in the pipeline?
- What if you exceeded anticipated sales by 20%? Can you effectively fulfil on time and in volume? Do you have enough cash to underwrite some additional front-end costs to fulfil on this additional volume of business? Are your team and systems robust enough to handle the increase in business, or do you need to expand operations and recruit additional talent? Could the new talent be easy to contract in the local market, or will you need specialists that are more difficult to source? Have you already considered where you could source temporary support in the short-term, or during temporary seasonable upswings?

Finance & Administration

- When cash is needed (whether to cover short-fall or under-write growth) do you have adequate reserves on hand to cover requirements? If not, have you investigated your options for sourcing funds?
- If you absolutely had to let go of certain team members, do you know which ones? And would you know how to re-distribute workflows among the remaining team? Do you have a severance package and dismissal procedures planned?

Manufacturing

- Do you manufacture in-house? What if growth exceeds capacity? Can you temporarily outsource certain aspects of manufacturing? When do you need to consider permanent expansion and how will you finance it?
- Are you reliant on external suppliers for raw materials? What if they do not have enough raw materials to support a sudden and unanticipated cycle of growth? Do you have alternate suppliers you can call upon? What if you expect raw materials to increase in cost over the short-term? Do you have the cash in reserve to pre-order and warehouse a certain quantity of the materials in question? If not, and your input costs increase, how quickly are you able to increase your prices? And how could this effect the market?
- Do you outsource any aspect of your manufacturing and assembly? Same questions – what if they are unable to support a sudden increase in sales volume? Can you pursue a second provider? Under what conditions?

Product Development

- What happens if your development team misses a key delivery milestone? How will this be relayed to customers? What will this do to revenue projections? In what ways could you outsource development to get the schedule back-on-track? How much would this cost, and do you have cash reserves to get it done?

Customer Fulfilment

- What is your plan and policy when fulfilment is delayed?
- What happens if the wrong order gets shipped to a customer?
- What about if your product is defective?
- What about if a customer cancels an order?

Shipping & Logistics

- Do you rely on a warehousing operation? Do they require minimum volumes? If so, what happens if you fall short of those minimums? Conversely, can they handle a rapid growth in business?
- How quickly can your warehousing operation begin to process new SKU items and product offerings?
- What happens if you have a customer in a new market that's not serviced by your existing warehousing and shipping provider?

These questions represent just a sampling of the kind of "what-if" scenarios that every function across your organization should be considering on a regular basis. Consider where you could be vulnerable, and explore ways in which to build your resilience and mitigate your risk.

Good luck! And let us know how we can help. Contact www.canadastartup.com for your mission critical needs.

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