

# 6 Ways to Protect Your Business From Financial Hardship

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## **6 Ways to Protect Your Business From Financial Hardship**

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We find ourselves in the most exciting times. While numerous issues plague a business on a recurrent basis, clearly the recent pandemic nor political disagreements have assisted. However, there happened to be issues that affect business daily that many individuals, even business owners, are not discussing. Whether you are in a small or mid-tier business, there are factors that many senior leaders and business owners are dismissing. Most importantly, these are factors that will impact the financial health of any organization.

Presently, many organizations seem to fail in strategic leadership. A strategy is nothing more than a framework that helps the organization understand what it will become in the future. For many organizations, however, there may not be a future because it is too tactical. Tactics focus on the business's daily operations and not necessarily on those items that can enhance its future. The following synopsis outlines six crucial areas that an organization must strategically review to create the necessary foundations that protect it from future growth and financial hardship.

### **It's All About Information**

We live in very different times. The proliferation of the internet and computers has indeed altered our world. The growth of the personal computer and computer networks continues to impact businesses – small and mid-tier. The abundance and accessibility of online information, information processing, and creating

efficiencies with computers has manifested in a good number of American businesses. To that end, similar to our homes and automobiles, business is under attack. Cybercrime is on the rise. In the United States, the average annual cost of cybercrime rose 29 percent in 2018, to \$27.4 million, compared with \$21.2 million in 2017. (Insurance Information Institute 2019) For any business, such crime includes but is not limited to identity theft, fraud, phishing, scams, and document infiltration. And the cost for many companies is high.

In today's fastest-growing form of criminal activity; Equally worrying for modern executives, it's also set to cost businesses \$5.2 trillion worldwide within five years, according to Accenture. With 43% of online attacks now aimed at small companies, they are a favorite target of high-tech villains, yet only 14% are prepared to defend themselves. (Steinberg, 2020) Therefore, business owners need to conduct several methods to protect their greatest assets – customers and the business from crime.

The modernization of new Information Technology creates a need for business owners to hire expert technology professionals; or farm out their business to managed services providers. While there are no guarantee attacks will not occur, the idea that someone or somebody is securing and watching the network provides foundational security.

Additionally, while a new concept business must insure their businesses, cyber insurance is available to cover legal fees, expenses, and other costs associated with customer protection.

At this point, you might be thinking that insurance is not a subject for consideration. However, something is unique about small to medium businesses, they are either too tactical and solely focus on today's revenue at tomorrow's risk, or owners and senior leaders become myopic to crucial organizational needs. Seventy-five percent of businesses in the United States are underinsured by 40 percent or more, according to Marshall &



Swift/Boeckh. What's more, 40 percent of companies never reopen after a disaster, based on data from SCORE. (Baker, 2018) Failure to fund your most important asset is a terrible business.

### **Protection Is All About Strategy and Value**

Visit most strip malls today, and you will find an array of businesses that have closed up shop forever. A good portion of this is that many organizations are more tactical than they are strategic. In other words, they lack the vision and values necessary to create the dream that they started when they began their business. Business typically fails cause of the lack of strategic orientation. For most businesses, this includes being able to articulate value. Understanding who the target demographic is and creating the crucial customer touchpoints that engaged the consumer kept them returning. Finally, businesses fail because they are not able to develop the proper relationships which build community. Most businesses don't have the budgets of the Fortune 500, so therefore creating a community will help to articulate the value that decreases marketing expenses by 80%. But without making a tribe that's able to follow you, then no one knows about your business, and eventually, the costs will add up, and there won't be any income to offset those expenses, thereby crushing the company.

### **People Make a Difference – Focusing On Experience**

Whether a senior officer or owner of an organization, one of the missteps is not surrounding yourself with good people, people do make a difference because they are the closest alliance to the customer. Too many organizations make the misstep by hiring individuals based upon wrote job descriptions and not based upon individuals' gifts and talents. Owners also do not empower

employees to make the proper decisions that create a great customer experience. The purpose of business is the acquisition and retention of customers - it's not about making money. Those organizational leaders who create exceptional customer experience create a tremendous brand and a considerable following. Those that don't wind up being a statistic of the Small Business Association.

### **Protect Your Assets**

in addition to customers, a crucial asset to any business is its employees. As mentioned earlier, employees want to be empowered to make a difference within the organization. Since they are closest to the consumer, they want to have the authority to make the organization's best decisions so that the consumer continually returns. We also know that great employees remain with organizations because of their loyalty. Most employees today desire safety. History continuously proves that when there is economic volatility, employees are terminated, which creates fear within your core. And, economic issues severely harm an organization's ability to provide employee benefits.

Many employees seek a work-life balance. Therefore, many employers provide additional PTO days, and some even offer free food or gym memberships within the organization. If you're a small organization, you're probably not able to do that - but there is something you can provide two employees to reduce anxiety. Many individuals, perhaps even yourself, carry credit card and student loan debt. There are organizations today that offer bonuses or even salary increases or help employees reduce credit card and student loan debt. There are numerous carriers available that you can partner with to help your employees reduce these vast fees. Creating the benefit will reduce their anxiety, making a loyalist to you forever.

## **Helping Yourself and Helping Key People**

An earlier portion of this article mentioned the value of having insurance for the business. Within most small businesses, the key person is usually the owner or the founder of the company. In other companies, it's typically a salesperson or other senior leader. Most businesses operate under the premise that nothing will ever happen to a key person within the organization, and we know this not to be true. We do know that in everyday businesspeople quit, people are terminated, and unfortunately, people die. A suitable method of protecting your business from financial hardship is obtaining something known as key person insurance. The advantage of having insurance is it pays for expenses to find a replacement person, it pays off debts, distributes money to investors, pays severance to employees, and even closed the business down in an orderly manner in a tragic situation.

## **Finally Ensuring Your Success and Stress**

During this article's writing, we are witnessing one of the worst pandemics ever to hit not only the world but the United States. Small businesses have been tragically impacted financially because of its broad economic impacts or perhaps even the disability or owner's death. An owner needs to protect their avocation. One of the advantages of protecting the business is the ability to pay for expenses such as salaries in the event of a disability or even the owner's passing. Such an opportunity is available with something known as a business overhead expense. Similar to key person insurance, business overhead expense can protect employees and even numerous monthly business expenses. The ability to obtain unnecessary protection for one of the most important investments of your life is an excellent choice to make.

## Best Practices

With over 35 years of business experience, it's tragic to see that there are not many courses provided to collegiate students or even business professionals That educate on business protection. The following ideas or similar to an offensive line that protects its quarterback or even positioning infielders so that groundballs don't go into the outfield. Small and medium-sized businesses today or exceedingly vulnerable to present-day external factors that include but are not limited to politics, economics, technology, natural disasters, and even competition. By following some of the techniques within this paper, perhaps you will be able to make the right decisions for a better tomorrow.

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