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Managing risk during expansion

Identifying and mitigating risk

Scaling can be a risky business. From financial pressures to operational inefficiencies, there's plenty that could go wrong. It's important to identify and plan for potential risks before they crop up.

Marketing risk

People change their minds all the time, new competitors appear, and trends come and go. Analyse your market often and adjust your product, service or systems if needed.

Operational risk

Scaling can put strain on your systems. To avoid this, monitor your supply chain to make sure your suppliers can handle higher demand. Have backup suppliers, so you're ready if any of your current suppliers can't keep up. This will prevent any disruptions to your business.

Financial risk

Quick growth can lead to overspending or cash flow issues. Make sure your budget has room for unexpected costs and monitor your profits. If your profits are struggling, you can always scale back a bit until you have more resources in place.

Create a risk management plan

1. **Risk mitigation plan**
   Create a back-up plan for different scenarios, such as sudden drops in demand or supply chain disruptions. For example, a retail business could use many different suppliers to reduce the risk of stock shortages.

2. **Business insurance**
   Protect your business against operational risks, with insurance policies from reputable firms. They can offer various forms of protection, such as against injury claims from customers or employees and claims of negligence.

3. **Stress testing**
   Regularly stress-test your financial model to see how it would cope under different scenarios. For example, if there's a significant dip in sales or a large, unexpected expense.