

Module 12 Risk Management

INSTRUCTOR GUIDE

MONEY SMART for Small Business

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Module Opening

Note to Instructors: As you prepare for and begin your training, keep these tips in mind:

- **Review the Guide to Presenting Money Smart for Small Business (MSSB).** This resource provides an overview of the MSSB structure, along with tools and guidance to help you plan, prepare, and deliver effective training.
- **Confirm accommodation needs early.** Ask participants in advance if they require any reasonable accommodations to fully engage in the training. Allow enough time to address these requests before the session begins.
- **Cover housekeeping details.** Share the agenda with timing and breaks, and explain how participants can ask questions or provide input. If you create slides for these items, place them in a separate file to keep slide numbers in this instructor guide aligned with the module slides.
- **Create a welcoming and collaborative atmosphere.** Start by acknowledging any nervousness participants may feel and encourage openness. Invite participants to briefly share their small business experiences so far.
- **Encourage participants to connect to each other.** Participants can support each other after the training. Encourage them to exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.

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Welcome

SHOW SLIDE 1

DO

- As participants arrive for the training, use this time to:
 - Welcome them and introduce yourself
 - Ask them to sign in for the training if you are using a sign-in sheet
 - Ensure that any requested reasonable accommodations are in place and make any necessary adjustments
- If the training is virtual, invite people to introduce themselves in the chat box, or set aside time for virtual introductions.

SAY

- Welcome to this training on Risk Management.



Participant Guide

SAY

- Everyone has a copy of the participant guide. It contains information and discussion points to help you learn and become familiar with the topics we will present.
- We will use the participant guide throughout the training. You can write in it, as it is yours to keep.
- The participant guide can be a helpful reference after the training. It includes a For More Information section with relevant resources and a glossary defining key terms.

Learning Objectives

SHOW SLIDE 2

SAY

- This training will help you identify and mitigate internal and external risks to your business.
- As a result of completing this module, you will be able to:
 - Define risk management and give examples of risk management strategies
 - Identify internal risks to a small business
 - Identify external risks to a small business
 - Conduct a systematic risk assessment for a small business
 - Develop a risk management plan for a small business



Pre-Survey

SHOW SLIDE 3

SAY

- Please take 10 minutes to complete the pre-survey.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.
- After the training, you will revisit this survey to see what you have learned.

DO

- Collect all completed surveys.
- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

Pre-Survey
See page 1 in your participant guide.

Pre-Survey
This form will allow you and your instructor to see what you know about today's topics before the training.
Instructor: _____ Date: _____

Part 1. What Do You Know Before the Training?
Read the statements below and circle the number that shows how much you agree with each one.

not at all disagree disagree neutral agree not at all agree

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Section 1: Introduction to Risk Management

Time Estimate: 35 minutes

Participants will be able to define risk management and give examples of risk management strategies.

SHOW SLIDE 4

SAY

- See page 2 in your participant guide.
- We will discuss the definition of risk management and examples of risk management strategies.

Note to Instructors: Modules on Insurance and on Selling, Closing, or Transferring Ownership of Your Business complement the content of this module. Depending on the needs and interests of your participants, consider integrating these modules into your training.



About Risk



Present information (5 minutes)

SHOW SLIDE 5

SAY

- Risk is the potential to experience loss or harm.
- For a small business, it refers to the potential for events that lead to negative outcomes, such as financial loss, reputational damage, or operational setbacks.
- Not all risks come from negative sources. Positive developments for a business, such as expanding operations or offering new products or services, can involve additional risk.



SHOW SLIDE 6

SAY

- Risks can be internal or external.
- Internal risks originate from within the business.
 - These risks are related to factors that the business can control, such as management decisions, employee performance, operational processes, and internal policies.
 - Examples include poor strategic planning or inadequate resource management, as well as accidents, errors, or misconduct in business activities.
- External risks come from outside the business.
 - They are typically beyond the business's control.
 - These risks are influenced by external factors such as market conditions, economic fluctuations, regulatory changes, and natural disasters.
 - Examples include changes in consumer preferences, new competitors entering the market, and changes in laws or regulations that affect the business.

Internal and External Risks

- **Internal Risks**
 - Originate from within the business
 - Related to factors that the business can control
- **External Risks**
 - Originate outside of the business
 - Typically related to factors beyond the business's control

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Try It: Spotting Risks



Lead activity (20 minutes)

SHOW SLIDE 7

DO

- Ask participants to turn to “Try It: Spotting Risks” on page 2 of their participant guide.
- Read the scenario to participants or ask for a volunteer to do so.

Try It: Spotting Risks

See page 2 in your participant guide.

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Scenario: Mariam Spots Risks to Dazzle Carpet Cleaning

Mariam started Dazzle Carpet Cleaning three years ago with just herself and one van. Today, she manages a team of six employees and operates four fully equipped vans that serve residential and commercial clients throughout her rural county. Her reputation for quality work has led to steady growth, and she's considering expanding to a neighboring county.

While reviewing her quarterly business performance, Mariam notes the following:

- Her primary cleaning solution supplier just announced a 15% price increase.
- Two clients reported minor furniture damage during recent cleaning jobs.
- One of her newer vans needed unexpected repairs last month.
- Three days' worth of appointments were canceled last week due to severe storms.



- A new carpet cleaning company opened nearby, advertising 20% lower prices.

Mariam wants to anticipate risks in the future based on these events. Knowing what kinds of risks her business faces can help her manage them.

DO

- Divide participants into groups of 4 to 6 people.



Note to Instructors: In a web-based training, breakout rooms can make small group discussions possible among virtual participants. Alternatively, ask people to do this activity individually using the fillable fields in the participant guide.

SAY

- In your small groups, take 5 minutes to complete the table in your participant guide. For each event, help Mariam identify risk she could anticipate in the future and check off whether it is an internal risk or an external risk.
- The first row has been completed for you as an example.

SHOW SLIDE 8

DO

- After 10 minutes, share answers based on the answer key.

Try It: Spotting Risks – Answer Key

Event	Risk	Risk Type
Her primary cleaning solution supplier just announced a 15% price increase	Increase in supply costs	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External
Two clients reported minor furniture damage during recent cleaning jobs	Damage to client property due to accidents	<input checked="" type="checkbox"/> Internal <input type="checkbox"/> External
One of her newer vans needed unexpected repairs last month	Unplanned maintenance costs for equipment and other assets	<input checked="" type="checkbox"/> Internal <input type="checkbox"/> External
Three days of appointments were canceled last week due to severe storms	Severe weather or natural disasters	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External
A new carpet cleaning company opened nearby, advertising 20% lower prices	Competition	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External

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Try It: Spotting Risks – Answer Key

Event	Risk	Risk Type
Her primary cleaning solution supplier just announced a 15% price increase	Increase in supply costs	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External
Two clients reported minor furniture damage during recent cleaning jobs	Damage to client property due to accidents	<input checked="" type="checkbox"/> Internal <input type="checkbox"/> External
One of her newer vans needed unexpected repairs last month	Unplanned maintenance costs for equipment and other assets	<input checked="" type="checkbox"/> Internal <input type="checkbox"/> External
Three days of appointments were canceled last week due to severe storms	Severe weather or natural disasters	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External
A new carpet cleaning company opened nearby, advertising 20% lower prices	Competition	<input type="checkbox"/> Internal <input checked="" type="checkbox"/> External



Risk Management

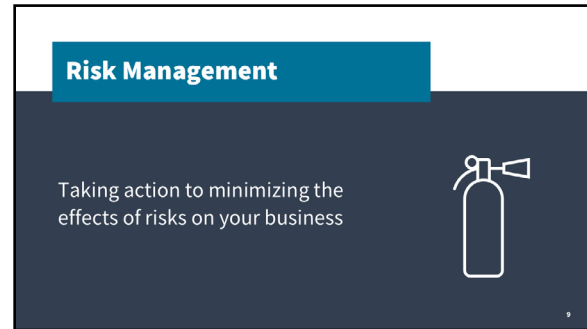


Lead discussion (10 minutes)

SHOW SLIDE 9

SAY

- See page 3 in your participant guide.
- Risk management is taking action to minimize the effects of risks on your business.
- In other words, risk management is identifying what might go wrong—or might change in a way that affects you—and planning how to control or reduce the negative impacts on your cash flow, resources, and ultimately your success.
- The ultimate goal of risk management is to minimize the effects of risks on your business.
- When you control threats before they become crises, you protect your company’s finances, reputation, and relationships with customers and lenders.



SHOW SLIDE 10

ASK

- There are many types of risks and risk management strategies.
- What actions can business owners take to manage risks? Share an action you have taken or plan to take to manage risk in your business.

DO

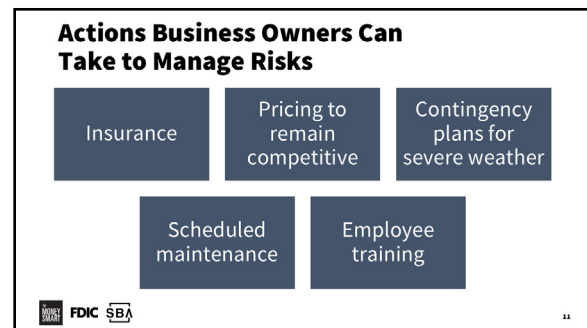
- Write participant responses on a flip chart or whiteboard.



SHOW SLIDE 11

DO

- Add these ideas if not mentioned:
 - **Insurance:** Purchasing insurance policies to protect against specific risks such as property damage, liability, or business interruption.
 - **Pricing to remain competitive:** Setting prices at a level that discourages competition.
 - **Contingency plans for severe weather:** Investing in weather-resistant equipment and setting up communication protocols.
 - **Scheduled maintenance for equipment:** Following a regular maintenance schedule to prevent unexpected breakdowns.
 - **Employee training:** Providing ongoing training for employees to reduce mistakes and accidents.





Section 2: Internal Risks

Time Estimate: 40 minutes

Participants will be able to identify internal risks to a small business.

SHOW SLIDE 12

SAY

- See page 4 in your participant guide.
- We will discuss internal risks to a small business.

Types of Internal Risk and Risk Management Strategies



Present information (15 minutes)

SHOW SLIDE 13

SAY

- Every business faces internal risks. Internal risks are challenges and vulnerabilities that exist within your operations.
- These are often factors you can control or influence directly, making them crucial to understand and manage.
- These are six common types of internal risks.
 - Human risks
 - Financial risks
 - Equipment risks
 - Workplace risks
 - Information technology risks
 - Fulfillment risks
- Let's look in more detail at each type of internal risk and potential strategies for managing them.
- As we discuss each type of internal risk, take notes in your participant guide on relevant risk management strategies.



SAY

Human Risks

- Human risks involve the people side of your business: your employees, managers, and even yourself as the owner. Think about how people impact your daily operations and long-term success. Staff departures, poor performance, and even theft are examples of human risks.
- Risk management strategies for human risks include:
 - **Cross-training:** This involves training employees to perform multiple roles within the organization. Through cross-training, you can ensure that critical tasks can be covered by other team members in the event of an employee departure or other staffing issue.
 - **Employee engagement:** Foster a positive work environment through team-building activities, recognition programs, and open communication to keep employees motivated and committed. High morale can prevent departures, poor performance, and other risks.
 - **Succession planning:** Develop a succession plan to ensure that key positions can be filled quickly and effectively in case of unexpected departures.

Managing Human, Financial, and Equipment Risks		
Human Risks <ul style="list-style-type: none"> • Cross-training • Employee engagement • Succession planning 	Financial Risks <ul style="list-style-type: none"> • Cash flow management • Budgeting and forecasting • Diversification of revenue streams • Tax planning 	Equipment Risks <ul style="list-style-type: none"> • Regular maintenance • Equipment upgrades • Insurance coverage

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Financial Risks

- Financial risks focus on money management and cash flow. Consider how funds move through your business and the challenges that can arise in maintaining financial stability. Being unable to cover an expense or being penalized for paying taxes late are examples of financial risks.
- Risk management strategies for financial risks include:
 - **Cash flow management:** Implement robust cash flow management practices, such as maintaining a cash reserve and regularly monitoring cash flow statements.
 - **Budgeting and forecasting:** Create detailed budgets and financial forecasts to anticipate future financial needs and challenges.
 - **Diversification of revenue streams:** Diversify your revenue streams to reduce dependency on a single source of income.
 - **Tax planning:** Conduct advance planning to meet your tax obligations, possibly with help from an accountant or other specialist.

Equipment Risks

- Equipment risks refer to the tools, machinery, and physical assets your business relies on to operate effectively. Consider what happens when these resources are not functioning as needed.
- Risk management strategies for equipment risks include:
 - **Regular maintenance:** Establish a routine maintenance schedule for all equipment to prevent unexpected breakdowns and extend the lifespan of assets.
 - **Equipment upgrades:** Invest in modern, reliable equipment to reduce the likelihood of malfunctions and improve operational efficiency.
 - **Insurance coverage:** Obtain insurance coverage for critical equipment to protect against financial losses due to damage or breakdowns.

SHOW SLIDE 15

SAY

Workplace Risks

- Workplace risks are associated with your business's physical environment and the space where you operate, whether owned or leased. Fire hazards, security threats, and structural weaknesses in buildings are examples.
- Risk management strategies for workplace risks include:
 - Safety protocols:** Implement and enforce strict safety protocols to prevent accidents and injuries in the workplace and ensure employees are properly trained to understand and follow them.
 - Regular inspections:** Conduct regular inspections of the physical premises to identify and address potential hazards.
 - Emergency preparedness:** Develop and practice emergency response plans for various scenarios, such as fires, natural disasters, or security threats.
 - Improvements:** Make improvements to the workplace or negotiate with the property owner.

Managing Workplace, Information Technology, and Fulfillment Risks		
Workplace Risks	Information Technology Risks	Fulfillment Risks
<ul style="list-style-type: none">Safety protocolsRegular inspectionsEmergency preparednessImprovements	<ul style="list-style-type: none">Cybersecurity measuresData backupEmployee trainingBackup systems	<ul style="list-style-type: none">Inventory managementSupplier relationshipsProceduresQuality control

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Information Technology Risks

- In today's world, information technology risks can affect almost any business, regardless of size or industry.
- Information technology risks include accidental loss or theft of your data and intellectual property. They also include disruption to your business's use of digital systems to make payments to vendors, receive payments from customers, market your business online, and conduct other key tasks.
- Risk management strategies for information technology risks include:
 - Cybersecurity measures:** Invest in robust cybersecurity measures, including firewalls, antivirus software, and regular security audits to protect digital assets.
 - Data backup:** Implement regular data backup procedures to ensure critical information can be recovered in case of accidental data loss or cyber-attacks.
 - Employee training:** Train employees on best practices in cybersecurity, such as recognizing phishing attempts and using strong passwords.
 - Backup Systems:** Develop multiple ways to accomplish key tasks, in case software you use becomes unavailable. For example, have more than one way to accept payment by credit card, in case your countertop terminal stops working.
 - Cybersecurity insurance:** Consider insurance coverage to protect your business against financial losses from cyber incidents, especially for businesses that collect, store, or manage sensitive or personal information.

Fulfillment Risks

- Fulfillment risks focus on how you deliver your products or services to customers, the entire process from order to delivery. Customer injuries that happen when producing a good or service, as well as the return of faulty products are examples of fulfillment risks.
- Risk management strategies for fulfillment risks include:



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- **Inventory management:** Use inventory management systems to track stock levels and ensure timely replenishment of products.
- **Supplier relationships:** Build strong relationships with reliable suppliers to ensure consistent and timely delivery of materials and products.
- **Procedures:** Have strong procedures for providing goods and services in ways that minimize risk and make sure all employees are trained on using them.
- **Quality control:** Implement quality control measures to ensure products and services meet customer expectations and reduce the risk of returns or complaints.

Try It: Managing Internal Risks



Lead activity (25 minutes)

SHOW SLIDE 16

SAY

- Turn to “Try It: Managing Internal Risks” on page 7 of your participant guide.
- Let’s practice identifying internal risks and finding ways to manage them.

DO

- Divide participants into groups of 4 to 6 people.



Note to Instructors: In a web-based training, breakout rooms can make small group discussions possible among virtual participants. Alternatively, ask people to do this activity individually using the fillable fields in the participant guide.

SAY

- In your small groups, take 15 minutes to read the scenarios and answer the questions in your participant guide.
- Read each scenario aloud and ask, “What are the risks?” and “How can the business owner manage the risks?”
- There may be more than one right answer to these questions for each scenario.

DO

- After 15 minutes, share answers based on the answer key.



Try It: Managing Internal Risks – Answer Key

Scenario 1: Main Street Café has six front-of-the-house staff led by the head server, who serve customers. Main Street Café has six back-of-the-house staff led by the chef, who prepares food and drink. The town’s annual Restaurant Week is coming up at the end of the month. It’s the busiest week of the year.

What are the risks?

The head server, the chef, or both could quit or become unavailable before the busiest week of the year. This is a human risk.

How can the business owner manage the risks?

Cross-training could ensure other employees could step into the role of head server or chef, if necessary.

Scenario 2: DairyTech Solutions LLC, a provider of dairy farm management software, has experienced rapid growth and is reinvesting every available dollar in additional opportunities to boost sales. They are getting close to the limit of how much they can borrow using a line of credit from their bank.

What are the risks?

The business risks cash flow problems. With every available dollar committed to boosting sales, they may be unable to pay expenses—especially unexpected expenses—in the near term. This is a financial risk.

How can the business owner manage the risks?

Careful budgeting, forecasting, and cash flow management could help the company set aside enough cash to cover expected expenses, as well as some unexpected expenses. This may require reducing or postponing investments in growth.

Scenario 3: Cow Country Leatherworks manufactures clothing and home items from cowhide. They operate in an older building. Recent heavy rains have caused minor leaks, their HVAC system is aging, and employees have complained about poor lighting in the parking lot. The building’s lease is up for renewal soon.

What are the risks?

The issues with the building and parking lot pose risks to employee health and safety. In addition, they may affect employee morale and productivity. These are workplace risks.

How can the business owner manage the risks?

The business owner could approach the building owner about improvements that address the issues, possibly as part of negotiations for a new lease. Alternatively, the owner could relocate operations to another building that has fewer workplace risks.





Section 3: External Risks

Time Estimate: 25 minutes

Participants will be able to identify external risks to a small business.

SHOW SLIDE 17

SAY

- See page 9 in your participant guide.
- We will discuss external risks to a small business.



Types of External Risk and Risk Management Strategies



Present information (25 minutes)

SHOW SLIDE 18

SAY

- External risks are factors outside of your control that can impact your business operations, profitability, and long-term success.
- There are eight common types of external risk
 - Competition
 - Cost Increases
 - Changes in Customer Habits
 - Policy Changes
 - Brand Perception
 - Severe Weather and Natural Disasters
 - Demographic Changes
 - Supply Chain Risks
- Let's look in more detail at each type of external risk and potential strategies for managing them.



SHOW SLIDE 19

SAY

Competition

- Competition can affect your market share, pricing strategies, and customer base. This includes both direct competitors offering similar products or services and indirect competitors providing alternative solutions.
- Risk management strategies include:
 - Market research:** Conduct regular market research to understand your competitors' strengths and weaknesses and identify opportunities for differentiation.
 - Innovation:** Continuously refine your products or services to stay ahead of competitors and meet evolving customer needs.
 - Customer loyalty programs:** Implement loyalty programs to retain existing customers and attract new customers.

Competition	Cost Increases	Changes in Customer Habits
<ul style="list-style-type: none">Market researchInnovationCustomer loyalty programs	<ul style="list-style-type: none">Supplier negotiationCost efficiencyPrice adjustments	<ul style="list-style-type: none">Customer feedbackTrend analysisFlexible marketing

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Cost Increases

- Cost increases can affect what your business pays for rent, supplies, raw materials, utilities, or other essential business costs. Cost increases affect your profit margins.
- Risk management strategies include:
 - Supplier negotiation:** Negotiate with suppliers for better pricing or bulk discounts to manage cost increases. Lock in prices for a longer period if you are concerned about increases in the coming months or years.
 - Cost efficiency:** Identify areas where you can reduce costs without compromising quality, such as optimizing processes or using energy-efficient equipment.
 - Price adjustments:** Adjust pricing for your own products and services to reflect increased costs while maintaining customer satisfaction.

Changes in Consumer Habits

- Changes in customer habits can be gradual trends or sudden shifts due to technology, social factors, or economic conditions. Changes in customer habits can be positive if they increase demand for your product or service but could also decrease demand and reduce your sales.
- Risk management strategies include:
 - Customer feedback:** Regularly gather and analyze customer feedback to understand changing preferences and adapt your offerings accordingly.
 - Trend analysis:** Monitor industry trends and consumer behavior to anticipate shifts and stay relevant.
 - Flexible marketing:** Develop flexible marketing strategies that can be quickly adjusted to respond to changes in customer habits and preferences.

ASK

- Who has experience with one of these types of external risk? How was your business affected or how did you manage the risk?



DO

- Ask a few participants to share how they have been affected by one of these types of external risks or managed them.

SHOW SLIDE 20

SAY

Policy Changes

- Policy changes can include new or modified regulations, laws, ordinances, or requirements at the federal, state, or local levels that affect how you operate your business. Policy changes can also affect the expenses you need to pay to stay compliant.
- Risk management strategies include:
 - **Compliance monitoring:** Stay informed about regulatory changes and ensure your business complies with all relevant laws and regulations.
 - **Legal advice:** Consult with legal experts to understand the implications of policy changes and develop strategies to mitigate risks.

Brand Perception

- Brand perception refers to how current and potential customers view your business. Positive statements about your business, particularly through online reviews and social media, can have a positive effect on sales. Negative statements can damage your business's reputation and decrease sales.
- Risk management strategies include:
 - **Online presence:** Maintain a strong and positive online presence through active engagement on social media and review platforms.
 - **Customer service:** Provide exceptional customer service to build a positive reputation and address any negative feedback promptly.
 - **Public relations:** Develop a proactive public relations strategy to manage your brand image and communicate effectively with your audience.


Severe weather and natural disasters

- Severe weather and natural disasters can disrupt business operations, damage property, prevent customers from accessing your business, and interrupt supply chains.
- Risk management strategies include:
 - **Emergency preparedness:** Develop and practice emergency response plans for various scenarios, such as severe weather or natural disasters.
 - **Insurance coverage:** Obtain insurance coverage to protect against losses from environmental events.
 - **Business continuity planning:** Create a business continuity plan to ensure operations can resume quickly after a disruption.

ASK

- Who has experience with one of these types of external risk? How was your business affected or how did you manage the risk?

Policy Changes, Brand Perception, and Severe Weather and Natural Disasters		
Policy Changes	Brand Perception	Severe Weather and Natural Disasters
<ul style="list-style-type: none">• Compliance monitoring• Legal advice	<ul style="list-style-type: none">• Online presence• Customer service• Public relations	<ul style="list-style-type: none">• Emergency preparedness• Insurance coverage• Business continuity planning

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DO

- Ask a few participants to share how they have been affected by one of these types of external risks or how they managed them.

SHOW SLIDE 21

SAY

Demographic Changes

- Demographic changes in the community your business serves can affect your business. The age, income levels, family composition, cultural background, and other characteristics of your current and potential customers may require changes to your business.
- Risk management strategies include:
 - **Market segmentation:** Analyze your market based on demographic factors and tailor your products or services to meet the needs of different groups.
 - **Targeted marketing:** Develop targeted marketing campaigns that resonate with specific demographic groups.

Demographic Changes	Supply Chain Risks
<ul style="list-style-type: none">• Market segmentation• Targeted marketing	<ul style="list-style-type: none">• Supplier diversification• Inventory management• Supplier relationships

Supply Chain Risks

- Supply chain risks are vulnerabilities in your business's ability to acquire necessary materials, products, or services from vendors and suppliers, including delivery delays, quality issues, or vendor business failures.
- Risk management strategies include:
 - **Supplier diversification:** Diversify your supplier base to reduce dependency on a single source and mitigate risks of supply chain disruptions.
 - **Inventory management:** Implement robust inventory management systems to monitor stock levels and ensure timely replenishment.
 - **Supplier relationships:** Build strong relationships with reliable suppliers to ensure consistent quality and delivery.

ASK

- Who has experience with one of these types of external risk? How was your business affected or how did you manage the risk?

DO

- Ask a few participants to share how they have been affected by one of these types of external risks or how they managed them.



Section 4: Risk Management Tools and Strategies

Time Estimate: 60 minutes

Participants will be able to:

- Conduct a systematic risk assessment for a small business
- Develop a risk management plan for a small business

SHOW SLIDE 22

SAY

- See page 13 in your participant guide.
- We will discuss:
 - How to conduct a systematic risk assessment for a small business
 - How to develop a risk management plan for a small business



Apply It: Using SWOT Analysis to Identify Risks

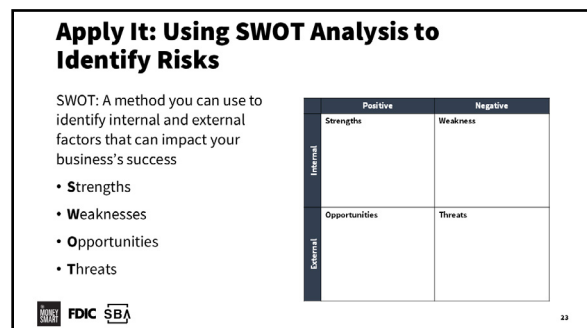


Lead activity (40 minutes)

SHOW SLIDE 23

SAY

- Turn to “Apply It: Using SWOT Analysis to Identify Risks” in your participant guide, page 13.
- SWOT analysis is a method you can use to identify internal and external factors that can impact your business’s success.
- SWOT is an acronym that stands for Strengths, Weaknesses, Opportunities, and Threats.
- Strengths and weaknesses are internal and under your control. They are shown in the top row of the SWOT diagram.
- Opportunities and threats are external and outside of your control. They are shown in the bottom row of the SWOT diagram.
- The negative parts of your analysis—your weaknesses and threats—may be risks to your business. Identifying them is the first step toward risk management.
- The positive parts of your analysis—your strengths and opportunities—may become part of your plans for managing risks.




SHOW SLIDE 24

SAY

- These tips can strengthen your SWOT analysis:
 - Invite trusted employees, mentors, and fellow entrepreneurs to contribute to the SWOT analysis. Their different perspectives will inform their questions and ideas.
 - Be honest and objective in your assessment of the business. It can be especially difficult to face weaknesses and threats when you have invested so much in building a business. But only an honest and objective assessment can give you the complete picture of risks you need to manage.
 - Review data as part of the SWOT analysis. Your business's numbers can help you take an unbiased look at your operations. For example, look for trends in your sales over time. Consider whether your expenses are aligned with how you think your business's funds should be spent. Also, have your financial statements on hand so that they can inform your SWOT analysis.

Tips for a Strong SWOT Analysis

- Invite trusted employees, mentors, and fellow entrepreneurs to contribute to the SWOT analysis
- Be honest and objective in your assessment of the business
- Review data as part of the SWOT analysis



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SHOW SLIDE 25

SAY

- The first part of a SWOT analysis involves identifying the internal factors that can impact your business's success. These factors are within your control and can be categorized as strengths or weaknesses.


Strengths

- For strengths, think of things your company has and can do that help you sustain operations and grow, even when there is uncertainty and risk.
- Examples of strengths are:
 - A strong cash position that could help you cover unexpected expenses
 - Investments in cross-training your employees, so multiple people know how to perform important tasks
 - Strong customer loyalty, especially the many long-time customers who know you, the owner, personally

SWOT Analysis: Internal Factors

- **Strengths:** Things your company has and can do that help you sustain operations and grow, even when there is uncertainty and risk
- **Weaknesses:** Ways your company may face internal risks and be underprepared for the unexpected

	Positive	Negative
Internal	Strengths	Weakness



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Weaknesses

- For weaknesses, think of ways your company may face internal risks and be underprepared for the unexpected.
- Examples of weaknesses are:
 - High employee turnover that may disrupt operations and increase recruitment costs
 - Reliance on a single staff member who knows how to keep your point-of-sale systems working
 - Inconsistent quality in products or services that lead to customer dissatisfaction and returns

DO

- Give participants 10 minutes to get started on identifying their strengths and weaknesses in their participant guides.



- After 10 minutes, invite a few participants to share their answers.
- Write participant responses on a flip chart or whiteboard.

SHOW SLIDE 26

SAY

- The second part of a SWOT analysis involves identifying the external factors that can impact your business's success. These factors are outside of your control and can be categorized as opportunities and threats.

Opportunities

- For opportunities, think of external factors that your company can leverage to grow and improve its operations. These are favorable conditions in the business environment that can help you achieve your goals.
- Examples of opportunities are:
 - Emerging markets or increasing demand for your products or services
 - Technological advancements that can enhance your operations or help you create new products or services
 - Potential collaborations with other businesses or organizations that can expand your reach and capabilities.

Threats

- For threats, consider external factors that pose risks to your business. These are unfavorable conditions in the business environment that could hinder your success.
- To identify a wide array of threats, it can be helpful to use the PESTLE factors. PESTLE is an acronym for political, economic, social, technological, legal, and environmental. Consider each of those areas as you brainstorm threats.
- For example:
 - Political threats could be potential changes in government policies for your industry that may affect your business
 - Economic threats may include the possibility of an economic downturn that reduces your customers' spending
 - Social factors may include changes in consumer behavior that would require you to advertise your products differently or change how you engage with customers

DO

- Give participants 10 minutes to get started on identifying their opportunities and threats in their participant guides.
- After 10 minutes, invite a few participants to share their answers.
- Write participant responses on a flip chart or whiteboard.

SWOT Analysis: External Factors

- **Opportunities:** External factors that your company can leverage to grow and improve its operations
- **Threats:** External factors that pose risks to your business, including the PESTLE factors:
 - **Political:** Changes in regulations, taxes, trade policies
 - **Economic:** The overall economy, recession, interest rates, inflation
 - **Social:** Changing demographics, shifts in consumer preferences
 - **Technological:** Disruptive technologies or new social media trends

		Positive	Negative
External	Strengths		
	Weakness		

- **Legal:** Lawsuits, changes in employment laws, new zoning or licensing requirements
- **Environmental:** Natural disasters, climate shifts, resource shortages

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Apply It: My Risk Management Plan



Lead activity (20 minutes)

SHOW SLIDE 27

SAY

- See page 15 in your participant guide.
- A risk management plan is a documented strategy that outlines how your business will manage risks through both prevention and response measures.

ASK

- How many of you already maintain a formal or semi-formal risk management plan?

DO

- Hold a quick vote on who already maintains a formal or semi-formal risk management plan.
- Time permitting, ask 1-2 participants to share their planning process.

Note to Instructors: You can use a voice vote, a show of hands, or an electronic polling tool. Use a method for voting that works for all participants, including participants with mobility impairments or other disabilities.

Many web-based training platforms have built-in polling or hand-raising features you can use to hold votes.

You must prepare polls in advance of the training. There are cost-free options that allow participants with both speech and mobility impairments to vote, including using eye gaze direction, blinking, and breathing patterns as signals.



SHOW SLIDE 28

SAY

- Turn to “Apply It: My Risk Management Plan” in your participant guide.
- Use this template to develop a risk management plan for your business. Identify risks in the first column. Refer to your completed SWOT analysis to capture risks that you identified there.
- For each risk, use the checkboxes to indicate whether it is an internal or external risk, the likelihood it will occur, and the potential impact.
- In the last column, list the prevention and response measures you want to employ to manage the risk.

DO

- Give participants 10 minutes to get started on their risk management plans.
- After 10 minutes, invite a few participants to share risks they identified and prevention and response measures they wrote down.
- Write participant responses on a flip chart or whiteboard.



Module Closing

Take Action

SHOW SLIDE 29

SAY

- You are more likely to act if you commit to taking action now.
- Write down what you intend to do based on today's training on page 16 of your participant guide.

Take Action

- What is one goal you will pursue?
- What first step will you take toward your goal?
- How will you get and give support to other participants?

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For More Information

SHOW SLIDE 30

DO

- Encourage participants to explore the resources listed under For More Information on page 16 of their participant guide.
- Time permitting, mention resources from the listing you think will be especially helpful. The For More Information content is shown below as it appears in the participant guide.
- Note resources that are specific to participants' states or localities. Encourage participants to note them in the space provided.

For More Information

See page 16 in your participant guide.

For More Information

SBA works with resource partners nationwide to provide mentorship and advice to pre-launch entrepreneurs. Visit sba.gov/local-assistance and search by ZIP code under 'Get Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers who provide free or low-cost counseling and training in your area.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Their website at score.org features budget and financial statement templates and other relevant resources.

FDIC SBA

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For More Information, as Shown in the Participant Guide

The U.S. Small Business Administration's (SBA's) [business guide](https://www.sba.gov/business-guide) includes a Manage Your Business module with sections on '[Strengthen Your Cybersecurity](#),' '[Prepare for Emergencies](#),' and '[Recover from Disasters](#).' Visit sba.gov to explore this and other resources.

SBA works with resource partners nationwide to provide mentorship and workshops to pre-launch entrepreneurs and existing businesses on topics that include risk management. Visit sba.gov and look under 'Local Assistance' to find out what is available in your area from Small Business Development Centers, SCORE business mentors, Veterans Business Outreach Centers, and Women's Business Centers.

SCORE is a national nonprofit that helps entrepreneurs launch businesses. Their website at score.org features articles on insurance and other relevant resources. In addition to the SWOT analysis diagram provided in the Participant Guide, SCORE provides a free SWOT worksheet to identify the strengths, weaknesses, opportunities and threats for your business at score.org/resource/template/swot-analysis-worksheet.

The U.S. Department of Homeland Security maintains [ready.gov](https://www.ready.gov), which features multiple resources for businesses related to preparing for and responding to disasters and emergencies. Search the site for 'risk assessment.'



Risk Management

MONEY SMART for SMALL BUSINESS

fdic.gov/moneysmart

You and other training participants can support each other after the training. Exchange contact information and set up plans to stay in touch, one-on-one or as part of a learning community.

Also explore resources that are specific to your state or locality.

The **Federal Deposit Insurance Corporation (FDIC)** preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; identifying, monitoring, and addressing risks to the Deposit Insurance Fund; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

Visit the Small Business Topics webpage at fdic.gov/consumer-resource-center/small-business-topics to learn about a wide range of resources and tools for consumers and bankers that help plan, launch, manage and grow small business initiatives in their communities.

The FDIC also encourages bank lending to creditworthy small businesses. Small businesses that may have an inquiry or concern about policies, financial institutions, and referrals to other government agencies can contact the FDIC Small Business Hotline at 1-855-FDIC-BIZ (1-855-334-2249).

Visit fdic.gov/doing-business-fdic for information on doing business with the FDIC.

The **U.S. Small Business Administration (SBA)** provides resources, answers to frequently asked questions and more in support of small business owners. Visit sba.gov to explore the agency's learning platform, business guide, and other resources. Contact SBA's Answer Desk at 1-800-827-5722 or answerdesk@sba.gov for general inquiries.

SBA district offices offer help planning, starting, or growing your small business. Find your SBA district office by visiting sba.gov and searching for 'district office.'

The **U.S. Financial Literacy and Education Commission** hosts mymoney.gov, the federal government's one-stop web site for financial education resources from more than 20 federal agencies.

Post-Survey

SHOW SLIDE 31

SAY

- Please take 10 minutes to complete the post-survey on page 21 of your participant guide.
- In part 1, circle the number that shows how much you agree with each statement.
- In part 2, answer the questions about today's training topics.

DO

- Collect all completed surveys.

Post-Survey
See page 21 in your participant guide.

Post-Survey
This form will allow you and your instructor to see what you know about today's topics after the training.
Instructor: _____ Date: _____

Part 1. What Do You Know After the Training?
Read the statements below and circle the number that shows how much you agree with each one.

1 2 3 4 5
totally disagree disagree neutral agree totally agree

MONEY SMART FDIC SBA 21



- For in-person sessions, you may ask participants to complete the hardcopy surveys and tear them out of their participant guides.
- You may also use an online version of the survey for both in-person and web-based trainings.



Note to Instructors: An online survey may be especially useful for web-based training. You will need to prepare it in advance. A variety of survey platforms are available, including low-cost and no-cost options.

Answer Key for Part 2 of the Pre- and Post-Survey

1. A business owner's policy combines several types of insurance.

True False

The answer is **false**. Many external risks like severe weather events, economic changes, or new regulations are outside of a business owner's direct control.

2. A SWOT analysis is primarily focused on identifying political, legal, and regulatory risks to a business.

True False

The answer is **false**. A SWOT analysis may include considering political, legal, and regulatory risks, but also examines strengths, weaknesses, opportunities, and threats across a variety of areas.

3. Cross-training can be a risk management strategy.

True False

The answer is **true**. Having multiple employees who can perform important tasks can mitigate risks to the business if an employee departs or becomes unavailable.

4. Costs of routine equipment maintenance should be considered a risk to a business.

True False

The answer is **false**. Routine equipment maintenance is a strategy for managing risk of equipment failure. Its cost is predictable.

5. A risk management plan should include preventative measures, as well as measures for responding to negative events.

True False

The answer is **true**. Both prevention and response measures are important for a risk management plan.

Evaluation Form

SHOW SLIDE 32

SAY

- Thank you for coming to this Money Smart for Small Business training.
- Please complete the evaluation form on page 22 of your participant guide. Your feedback helps to improve future trainings.

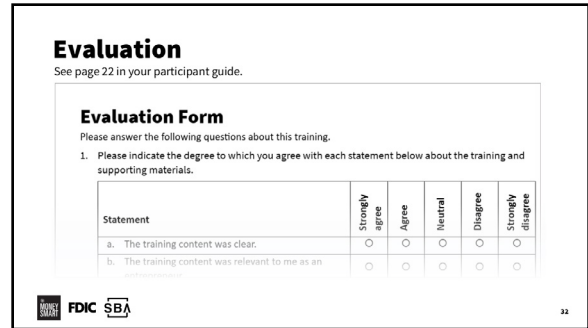
DO

- Collect the completed surveys.

SHOW SLIDE 33

SAY

- Thank you for coming to this Money Smart for Small Business training.






Evaluation
See page 22 in your participant guide.

Evaluation Form
Please answer the following questions about this training.

1. Please indicate the degree to which you agree with each statement below about the training and supporting materials.

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
a. The training content was clear.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b. The training content was relevant to me as an entrepreneur.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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Glossary

Term	Definition
Business Continuity Planning	Creating a plan to ensure operations can resume quickly after a disruption.
Cash Flow Management	Practices to monitor and maintain sufficient cash to meet business obligations.
Compliance Monitoring	Staying informed about regulatory requirements and changes and ensuring adherence to laws.
Contingency Plans	Prepared strategies to respond to unexpected events like severe weather.
Cross-Training	Training employees to perform multiple roles to ensure coverage during absences.
Cybersecurity Measures	Tools and practices like firewalls and antivirus software to protect digital assets.
Data Backup	Regularly saving copies of digital information to prevent data loss.
Demographic Changes	Shifts in the characteristics of a business's customer base that may affect operations.
Emergency Preparedness	Planning and practicing responses to emergencies like natural disasters.
Employee Engagement	Efforts to keep employees motivated and committed, helping reduce turnover and errors.
Equipment Upgrades	Investing in modern tools to reduce malfunctions and improve efficiency.
Financial Risks	Risks related to money management, such as an inability to cover expenses or make timely tax payments.
Fulfillment Risks	Risks related to delivering products or services, including delivery errors, customer injuries, or returns.
Human Risks	Risks involving employees or owners, such as theft, poor performance, or staff departures.
Information Technology Risks	Risks involving digital systems, including data loss or system outages.
Insurance	Policies that protect against specific risks like property damage or liability.
Internal Risks	Risks that originate within the business and are typically under the owner's control.
Inventory Management	Tracking stock levels to ensure timely replenishment and avoid shortages.
Market Research	Studying competitors and customer needs to inform business decisions.
Opportunities	External factors that a business can identify and leverage for growth or improvement.
PESTLE	An acronym for Political, Economic, Social, Technological, Legal, and Environmental factors used to identify risks and opportunities.



Term	Definition
Public Relations	Efforts to manage a business's public image and communication with the public.
Regular Inspections	Routine checks of facilities to identify and fix potential hazards.
Risk	The potential to experience loss or harm in business operations.
Risk Management	Taking action to minimize the effects of risks on a business.
SWOT Analysis	A tool for identifying a business's strengths, weaknesses, opportunities, and threats.
Safety Protocols	Rules and procedures to prevent accidents and injuries in the workplace.
Strengths	Internal factors that help a business succeed, such as loyal customers or strong cash flow.
Succession Planning	Preparing for future leadership by identifying and training potential replacements.
Supplier Diversification	Using multiple vendors to reduce dependency on a single source.
Threats	External factors that could negatively impact a business, such as new competitors or policy changes.
Weaknesses	Internal factors that may hinder a business's success, such as high employee turnover or outdated equipment.
Workplace Risks	Risks related to the physical environment of the business, like fire hazards or poor lighting.

