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BUSINESS GUIDE

C-Suite's Risk Management Checklist

Navigating 8 Critical Business Risks

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C-Suite's Risk Management Checklist

Navigating 8 Critical Business Risks

1. Blind spots and information gaps
2. Supply chain constraints
3. Cash shortfalls
4. Regulatory and organizational complexity
5. Bad customer experiences
6. Excessive back-office overhead
7. Cybersecurity vulnerabilities
8. Aging, ineffective technology

Chances are, as a business leader, you keep rewriting your mental worry list. Inflation likely scooted out of the #1 slot but still looms in the top 10. Interest rates might slide in and out these days based on the next Fed meeting or meeting with your banker. Tariffs could be a new top 5 entry—though they're kind of a combo of the recurring nightmares about supply chain disruption and new regulation.

The bigger point is that your business must be built to weather risks—no matter how those risks shift. Because you're not imagining it, business conditions really are changing at breakneck pace. In Q3 2024, just 19% of North American CFOs thought the economy would be better in a year, Deloitte's CFO Signals survey found. By Q4, 72% expected such improvement. So remind me—are we bracing for a downturn or afraid of missing a growth wave?

To build a business ready to weather these ups and downs, we've put together eight risks the C-suite should keep a cautious eye on as they pursue their next big opportunities. For each, we've suggested steps you can take to be ready for whatever comes, be it skyrocketing success or frightening turbulence.

1. Blind spots and information gaps

If you don't have a clear view into the corners of your business, risk management becomes an exercise based on incomplete information, instinct, and memories of your last crisis. This may have sufficed for the C-suite in days gone by when no one had a better option. But today, the most effective companies can access comprehensive and granular data across departments, meaning companies with gaps in their insight are at a major disadvantage. And when conditions are changing quickly, whether because of an expansion initiative or a sudden crisis, the chances of blind spots forming and the potential impact of them only increases.

For example, imagine a CFO has enough insight into sales and costs to see that a popular new product the company launched the past year saw a spike in costs leading to a 10% drop in its profitability. Without the ability to drill into further detail, she's left playing detective to identify the root issue. She can't quickly see that a spike in shipping rates due to a brief, now resolved disruption in a major shipping channel is largely responsible for these higher costs.

Action item

Invest in a system that can centralize and track real-time operating and financial data in one place for all critical business functions, such as financials, supply chain, human resources, project management, marketing, and customer support. This unified data serves as a powerful base for analytics that can help shed light on emerging risks. Critically, this system needs to give leaders the ability to zoom in and zoom out so they can dig into points of concern, such as rising costs in the example above. It should also be able to present this information in automatically updated dashboards and reports that make daily health checks easy.

Once you have clean, reliable information and the tools to efficiently share it, you need to set an intentional strategy across the organization on information sharing based on department and role. Executives should not be the gatekeepers of all data. Giving more people a detailed view into the parts of the business they manage can help them catch and communicate potential issues to the benefit of the entire organization.

2. Supply chain constraints

Many companies are reverting to their old ways when it comes to supply chain management—and that's not a good thing. Nearly nine in 10 C-level executives view their supply chain as a cost center, and 78% of supply chain leaders report reducing supply chain costs is again a top priority, per an EY survey. 19% of executives acknowledge they're unprepared for disruptions, which could spell trouble with the uncertainty around tariffs and continuing global conflicts. Exposure to these disruptions and other operational challenges only multiply with success, as your business deals in greater volumes or locations.

Action item

Reframing your supply chain as an asset rather than as a cost center, as a force for a competitive advantage and operating flexibility, can spur strategic changes that pay off over the long term. For example, you can increase resilience around possible tariffs by mapping out your suppliers (and your supplier's suppliers), running scenarios with different types of taxes and tariffs to evaluate the costs and benefits of producing goods within different geographies, and developing contingency plans based on those outcomes. An effective continuity plan could include finding backup suppliers for critical goods and redundant production and transportation partners. Realize the power of frequent communication, timely payments, longer-term contracts, and information sharing in building and strengthening these relationships with new supply chain partners.

Additionally, evaluate how ready your operational infrastructure is to scale. Are your suppliers, warehouse or 3PL partners, and other key players able and ready to increase their capacity and meet your demands? Just as important, do you have options to scale back if demand slows? Identify specific processes across procurement, manufacturing, fulfillment, and delivery that could break down as you handle changing order volumes and strategize on how to make them scalable.

A centralized supply chain information center that can pull in data from across your operations is valuable because it can help you spot foreboding signs. Rolling demand forecasts and scenario planning tools can help you understand how production and inputs must shift as conditions change.

3. Cash shortfalls

Every leader understands the importance of cash flow to running a business, but cash shortfalls can still sneak up on you. Cash shortfalls can happen during booms or busts in a business. A cash flow crunch could be the product of a late payment from a usually reliable key account. It could come from sudden drops in customer demand that catch you with excess inventory. Or they could come from racing to keep up with surging demand, and you get caught overextended paying too many suppliers on 30-day terms while collecting from too many customers on 60 days. Consider the excess inventory many retailers carried in 2022 and into 2023 after they stocked up in the wake of supply chain breakdowns and surging demand for certain goods, only for those patterns to change again by the time more inventory arrived. IHL Group estimates these overstocks and out-of-stocks cost retailers $1.77 trillion in 2023.

Action item

Avoiding cash flow shortages starts with a consistently updated view of various cash flow measures, such as free cash flow and operating cash flow, as well as related metrics including days payables outstanding, days sales outstanding, cash flow coverage ratio, and current liability coverage ratio. Data on payables and receivables, funding, planned expenditures, and historical revenue and expenses must also be centralized and readily accessible for better cash flow forecasts that can be run on a weekly or even daily basis. More advanced cash forecasting solutions could incorporate different forecasting methods and AI models to further improve the accuracy of projections.

Scenario planning is another valuable tool to have in your toolkit because it illustrates how various potential events or investments, be it a drop in sales of a core service or opening a new warehouse, would impact cash flow. Then you can plan for what you would do in response to these possible outcomes.

4. Regulatory and organizational complexity

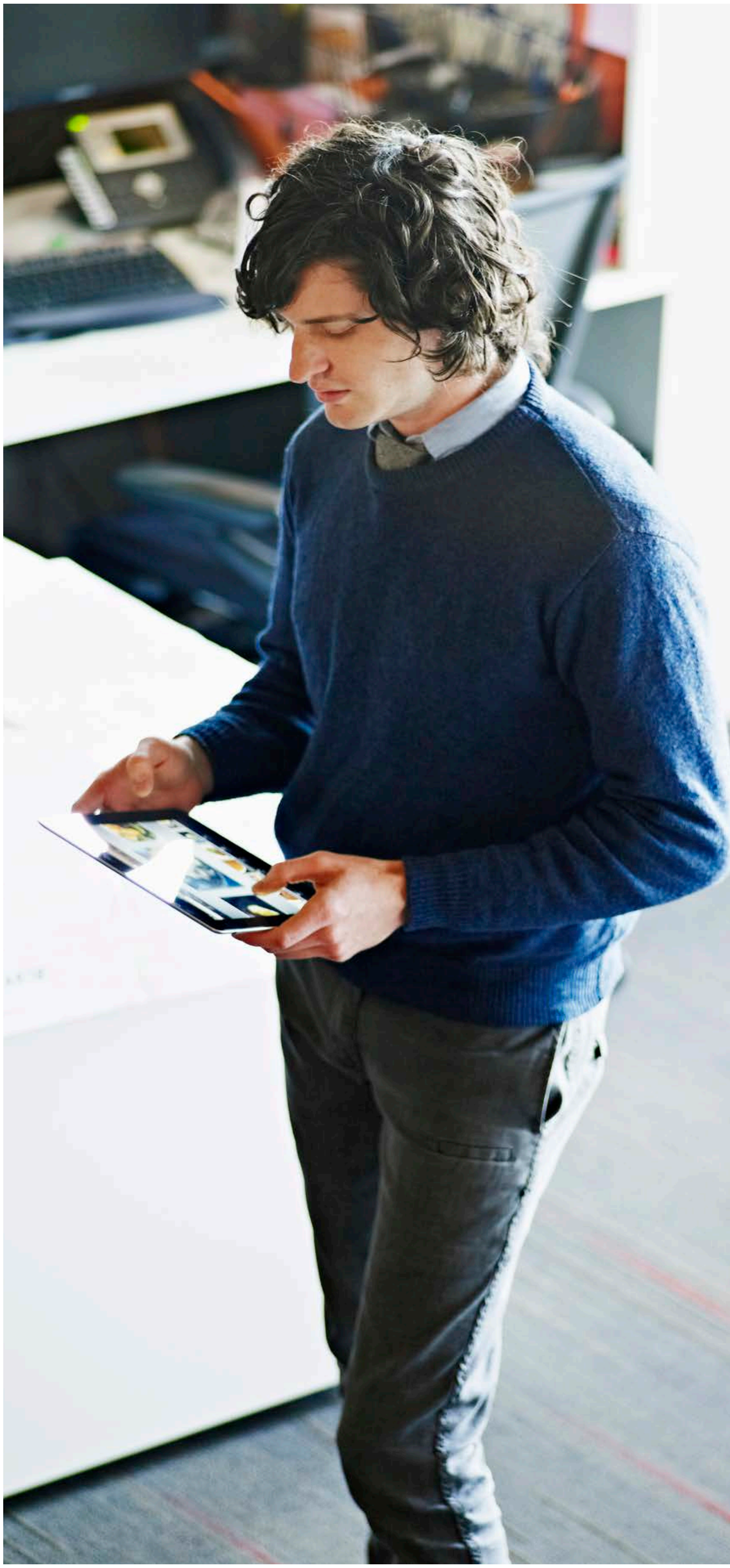
Expansion into new regions or countries is a common step as a business matures and grows. It may seem like setting up an office and hiring employees to run this new arm of the business is the real work, but addressing new regulations that now apply to your company as your footprint grows can be a major undertaking—and easier to underestimate. More than 40% of small businesses reported they struggle to keep up with regulatory and compliance requirements in a recent U.S. Chamber of Commerce survey. And it's not just global expansion that raises the complexity—expanding domestically also means new state and local rules to navigate. The requirements could be state- and city-specific taxes, country-specific financial disclosure requirements, or data privacy regulations such as the European Union's GDPR. Failing to fully understand pertinent laws can open a company up to potentially large fines and reputational damage.

Then there are the challenges of simply managing and monitoring a multinational business, such as supporting multiple currencies, subsidiaries, languages, multibook accounting, and consolidated financial reporting. Each of these factors increase financial and operating complexity and can become major time drains that keep you from other essential responsibilities.

Action item

Put simply, be careful about expanding too widely too fast, as it can overwhelm your business and multiply regulatory risk. You don't want to have to hire your way through regulatory and reporting challenges. You need efficient systems that can handle new reporting and rules with the same staff as much as possible. As you gain muscle moving into new markets, including executing on the regulatory and compliance requirements, you can steadily speed up.

Dig deep on the capabilities of your current ERP system, since that will provide the data and automation needed to efficiently navigate these efforts. What currencies, languages, taxes, and major regulations can it support natively? Can it easily shift between reports on global, subsidiary, and country results? Are there partners with proven success configuring or building plugin applications for your ERP system to fill the gaps? Try to speak with similarly complex, multinational businesses that use these vendors to better understand if the software can really meet your needs. If there are clear gaps in your systems or processes, it's probably time to upgrade.



5. Bad customer experiences

None of what we've discussed matters if you don't have happy customers. For many companies, new customer acquisition can become all-consuming at some point in their development. There's often a push to secure more logos and increase customer count because these numbers can signal success to the board and investors, and justify various investments in capacity. A major risk is when new customer growth comes at the expense of existing customers. Poor customer service is one of the most common sources of churn, so if your customer base starts to feel overlooked, they may leave or at least spend less with your business. Those customers could share that negative experience with peers, inflicting the worst kind of reputational damage. This can ultimately lower customer lifetime value and over time shrink your bottom line.

Action item

No matter what stage you're at in building your business, make a concerted effort to monitor and improve your customer experience. This could include building out an account management team to strengthen relationships with customers, expanding support resources, developing customer advisory boards, and creating more educational and training resources. All of these steps can facilitate a better customer experience, and you can measure the impact of these efforts through KPIs such as attach rate, average customer value, retention rate, and customer satisfaction scores.

Customer-specific dashboards that compile all key information and recent activity on a single page can help focus attention and alert you to sinking satisfaction. Some analytics software can also use this data to calculate churn risk.

6. Excessive back-office overhead

When all the charts are going up and to the right, it can be easy for executives to sign off on increasing cost-of-doing-business expenses such as rent, insurance, technology, and new hires. When business is humming, you fear creating any roadblocks. But these costs can quickly hurt your bottom line and require corrections if your business faces any kind of downturn or slowdown. The layoffs that followed the pandemic-fueled hiring boom are a painful example of how this can play out.

Action item

Expense approval policies are a critical tool for cost control and risk management, such as setting a lower threshold for expenses that require manager or executive approval or giving fewer people the power to approve expenses. However, executing these thresholds efficiently requires technology and policies that make expense review-and-approval easy—and ideally smartphone accessible—so your leaders aren't spending their days vetting office supply choices. Though a bigger commitment, you may also want to do a comprehensive audit of current expenses to identify potential waste. Do you really need an office in a city where 10 employees work? Is everyone with a CRM license actually using it? As part of this, look out for opportunities to consolidate software with duplicative or similar functionality.

With hiring, pay particularly close attention to requisitions for administrative roles that don't directly generate revenue, as it's not sustainable for companies to grow admin spend at the same rate as their overall business. Do you instead need to give better automation tools to your existing staff, to help them spend less time on manual tasks and thus handle growing demands? Automation could help you grow without expanding back-office staff at the same rate, especially as AI demonstrates potential to help handle some complex tasks.

7. Cybersecurity vulnerabilities

Business leaders know all too well that cybersecurity threats are constantly growing and pose real risk to their organizations. Cyberattacks were the top risk cited in the PwC survey, with three-quarters labeling it a moderate or serious threat. Companies paid approximately $813.55 million to ransomware attackers in 2024, according to Chainanalysis. That's a 35% decrease from 2023's record-setting year of $1.25 billion, but the stronger countermeasures by companies and law enforcement are causing ransomware crooks to adjust tactics, creating "a more adaptive and agile threat

environment," Chainanalysis writes. Smaller and midsize organizations may mistakenly think they lack the fame to catch cybercriminals' attention. The reality is attacks target companies of all sizes across every industry, especially companies that provide an easier target in the form of aging systems or infrastructure with unpatched vulnerabilities. And as your operations grow, the greater the chance of vulnerabilities somewhere in your network. Just one major security event can cause lasting financial and reputational damage.

Action item

A cybersecurity audit conducted by an independent team of experts is a great place to start because it can highlight key risks and help you prioritize what steps to take first. That may include replacing on-premises and out-of-date systems with applications that have stronger controls and security. Partnering with proven cybersecurity software vendors that use the latest technologies and techniques to strengthen your digital defenses, if you haven't already, is another important step. Just don't delay—the stakes are too high to put this off for another quarter or until you reach a certain milestone.

8. Aging, ineffective technology

If your business doesn't run on reliable technology with the latest, market-leading capabilities, you're on the wrong side of an uneven playing field—and competitors likely have an edge on you. AI has the potential to widen the gap between the technology haves and have-nots, as AI capabilities increasingly get built into the software used to run key processes. Maybe a 15-year-old homegrown procurement system is showing its age. Maybe your desktop-based accounting system can no longer manage your increasingly complex financials. Or maybe you have some highly capable cloud systems in the business, but it's difficult to share data with other systems, leading to lots of time wasted debating over conflicting data sources and running disconnected, inefficient processes.

Any of these scenarios increase a company's risk on two fronts. One, ineffective technology can make it more difficult to identify and respond to risks, since you lack clear information on what's happening across your operations. Two, aging tech can prevent you from leveraging the latest technology such as AI that could improve insights or increase productivity. For example, AI now could be used to more efficiently process incoming bills, helping your company add customers and volume without adding people at the same rate. There are similar promising AI use cases that could help save time and money through automation and faster, easier access to analytics, and you need a technology platform that can incorporate AI capabilities, so you can assess and choose whether to adopt them into your workflows.

Action item

Start by upgrading foundational systems that store key data, such as ERP, inventory management, CRM, human resources, and professional services automation (PSA). Ideally, all these applications would be on a common platform to avoid possibly problematic integrations. If that's not feasible, invest in proven connectors that can transmit data between systems to keep information up to date. Look to cloud applications that can scale with your business as it increases transactions, SKUs, locations, employees, and even business units. Cloud software also makes it easier to keep you on tech's latest capabilities, since they get frequent updates.

Bringing better data into everyday processes and workflows opens the door to all kinds of improvements. Monthly budget reviews that compare budget to actuals are more effective if they're drawing on timely financial, operational, and HR data. Generative AI tools can be more relevant and useful if they can tap your enterprise data to better flag risks, help you identify causes of budget variances, and draft financial reports, marketing plans, and similar responses to changing market conditions. All of these applications can help drive greater value when they have access to your specific business data.

NetSuite Technology's Role in Risk Mitigation

Technology is a critical tool in providing the timely information and insights that can go a long way in helping you reduce the impact of these common risks. This is where a single system that can unify your business and scale with it such as NetSuite shines.

NetSuite ERP tracks information and processes from across your organization, giving you the base of accurate and up-to-date data needed to take many of the actions we've outlined here. The system can track role-specific KPIs to monitor the health of your business and help employees across departments catch problems when they're still brewing. It also offers controls to help you make sure people see only the right data for their role. It can help automate and improve tasks related to indispensable business processes such as order-to-cash, procure-to-pay, financial close, payroll, and reporting and offers support for multicurrency, multilanguage, and global audit and compliance. NetSuite can help services businesses forecast revenue and staff utilization targets for upcoming projects and help product companies predict inventory needs to help improve cash flow management. Together, all these capabilities help leaders make informed decisions that maximize the chances of success for their businesses.

As a cloud-based system, NetSuite receives regular enhancements via twice-per-year upgrades that give your teams access to new capabilities such as embedded AI and cutting-edge functionality to help increase efficiency and provide deeper insights. NetSuite runs on Oracle Cloud Infrastructure (OCI) data centers that follow the latest security best practices to help you protect your data.

Conflicting economic signals, lingering uncertainty about inflation and interest rates, and the potential for major policy changes around the world make agility and preparedness essential for businesses. The risks covered here are certainly not a reason to delay ambitious plans but rather checkpoints to keep in mind as you navigate new challenges and opportunities. Executives would be wise to set up systems and protocols now that help them tackle what may currently be minor annoyances but could turn into much larger threats as their companies scale or respond to changing conditions.

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