AlixPartners

NAVIGATING UNCERTAINTY:

Seven moves every CFO should make today

Tariffs are on. Tariffs are off. Consumer confidence is cratering, along with earnings forecasts. Markets have the jitters.

A recession may be on the horizon. What's a CFO to do?

Every day, we're talking to concerned clients who know they need to take near-term steps to ensure supply chain continuity, shore up their balance sheet, or fix operational problems. At the same time, they know they need to be making longer-term plays to apply new AI tools in the most effective way possible, protect their most important client relationships, and position their organizations for the opportunities arising from today's disruptions.

CFOs are in the crosshairs of these decisions. Where is the money going to come from? And where can finite resources be applied to greatest effect?

BELOW ARE SEVEN KEY STEPS TO CONSIDER IN THE CURRENT ENVIRONMENT:

1. Mitigate short-term tariff and supply chain impacts

- As the U.S. administration has moved into dealmaking mode, some of the most acute tariff concerns have retreated from the headlines and buoyed the markets.
- However, supply chain disruptions remain a significant challenge, with over half of business leaders reporting increased difficulties compared to last year.
- Now is the time to renegotiate supplier contracts, implement early-warning systems for supply chain risks, and focus on margin management with real-time data integration.
- Develop granular profitability measures and real-time monitoring to identify and address vulnerabilities quickly.

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2. Prioritize cash management

- Cash remains king in turbulent times. Set clear working capital targets and actively monitor cash generation.
- Build reserves by drawing down credit lines and converting fixed costs into variable ones where possible.
- Enhance forecasting accuracy and working capital management. Use AI to identify payment inefficiencies and flag distressed customers or suppliers.
- Regularly review receivables, payables, and inventory processes for quick wins and sustainable improvements.

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3. Strengthen early warning systems

- Many companies react too late to emerging risks. Establish early warning systems that provide visibility into financial flows and highlight distress signals across business units, geographies, and channels.
- Redesign planning and review processes to ensure all leaders have a comprehensive view of P&L, balance sheet, and cash flow.

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4. Enhance organizational fitness

- Volatility in input costs and demand requires a zero-based budgeting approach to expose cost vulnerabilities and revenue risks.
- Use quick profitability analyses to guide investment, inventory, and cost-cutting decisions without jeopardizing future growth.
- Reengineer business unit reviews to ensure you are not just reviewing past performance but are also looking for signals for future trends.

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5. Embrace scenario-based planning

- Replace traditional budgeting with scenario planning: prepare for mild, moderate, and severe downturns.
- Develop actionable playbooks for each scenario, including immediate cost-saving measures, medium-term adjustments, and crisis responses.
- Take a zero-based approach to both costs and revenues, and maintain regular, candid conversations with key customers to validate revenue projections

6. Refocus AI and technology initiatives on resilience

- Direct AI projects toward cash management, risk detection, customer retention, and pricing optimization.
- Audit and strengthen cybersecurity, especially third-party risk management, as supply chains become more complex and digital threats escalate.
- Prioritize integration and industrial-strength digital capabilities to drive operational efficiency and resilience.

7. Prepare to attack as well as defend

- Don't just retrench. Seek opportunities to improve commercial effectiveness, reduce customer churn, and take advantage of market reshaping opportunities.
- Invest in customer success initiatives and be ready to act on strategic acquisitions as competitors falter.
- Identify your most profitable customers, products, and channels and pay special attention to retaining and expanding these segments.

By taking these steps now, you will not only protect your organization through the current turbulence but also build a stronger, more agile business ready to capitalize on opportunities as the environment stabilizes.

If you would like to discuss how these principles can be tailored to your organization, please let us know.

We are here to help you navigate both the challenges and opportunities ahead.