

## **BUSINESS SURVIVAL TIPS DURING A PANDEMIC**

- First off, DO NOT panic; you are not alone. Seek the advice of people you trust and then think things through carefully.
- Be proactive and respond, do not be reactive. Deal with what is in front of you and that which you have control over. Let the rest go. Worry and fear never solves the problems and can actually exacerbate it.
- Nobody wins if your business fails, so involve your partners and employees in the solution.
- No one will manage your business like you do. It is important that you stay active in the day-to-day management. The outcome of your business is dependent on the decisions you make.
- Preserve thy capital. Live to fight another day is priority #1.

### **PLANNING**

- You don't have to come up with all of the solutions. Seeking the advice of others and holding a brainstorm meeting can be very helpful. Work with your CPA, Small Business Development Center, financial institution, key employees and even other business owners to come up with ideas. In turn, share with others what is working...and what is not working.
- Who are your key employees? Do they know the plan? Now is not the time to hide or to go silent but it is the time to communicate, communicate and communicate some more!
- Work with key employees and involve them in implementing the plan. Many of them will have sound solutions that you might not have thought of. Some of the best solutions can be developed and implemented by those closest to the problem and who have a vested interest in a positive outcome.

### **CASH FLOW PLANNING**

- Cash flow modeling is the critical tool. Work with your CPA and or Small Business Development Center in putting together a cash flow plan. Stress test it for a 25% and 50% reduction in revenue. Develop a weekly cash flow model going out a minimum of three months, possibly six. Longer is less useful and not as critical. Not that you shouldn't look out further, but first focus on what is immediately in front of you. Use the cash flow projections to help develop your survival strategy.
- Pay attention to your financials. They are neither good nor bad, just a tool to show you where you are. They are like the instruments indicators on your vehicle. Pay attention to them. Manage your business based on what you are seeing. Work with your CPA or financial professional to better understand them and to understand what actions can impact them.
- Work with your partners to get through this. It should not be a surprise to anyone that companies may be starved for cash. Talk to you bank/credit union, suppliers, customers and start working on solutions driven by your cash flow modeling. For instance, if through your modeling it looks like a key to your survival is getting extended terms from say 45 to 90 days that may become a specific request of your vendors to extend their terms to you. Conversely, get your big customers to expedite payments.
- Do an honest assessment of how long your business can stay viable with little or no revenue.
- Build up an emergency cash reserve fund and keep it as strong as possible. Cash is king.

### **MANAGING CASH FLOW**

- Increase and speed up cash inflows. Manage your accounts receivable and inventory diligently. Expect a slowing down in the collection of accounts receivable. Slow or late payments may

indicate that a customer is in trouble. You may be competing with other vendors to get paid. Get to the front of the line by being the squeaky wheel. Be respectful and professional and at the same time understand that the survival of your business is dependent upon getting paid.

- Assess your inventory level. Is there stale or slow turning inventory that can be sold, even at a discount, to produce cash? Do you have inventory that can be returned that is not needed?
- Are there other assets, such as non-essential equipment or supplies, that can be sold and turned into cash?
- Are there incentives that can be developed for customers? A bundled buy, bulk buy, etc. Be creative. Sales are good, profit is better, but cash is king.

#### INCREASE CASH INFLOW

- Keep your existing customers and look for opportunities to pick up other profitable ones. Double down on your best customers. Review your customers to see who the most profitable ones are and look at offloading those that aren't.
- Focus on providing the best customer service possible. Right now, they are your lifeline.
- Double check with customers before sending out a large order to make sure they still want it and are able to pay for it.
- Review receivables and contact larger customers to make sure they will be able to pay on time. (This sounds scary, but it is better to know if you will not be paid or paid in a timely manner.)
- For retail establishments that have limited hours or are forced to close, promote gift card sales with specials as a way to attract customers as soon as business allows and build cash at the same time. Use social media, such as Facebook or LinkedIn to get the word out.
- Pause and step back to look at your business from the customer's perspective. Now that the environment is changing, what can you do to adapt your business to continue to meet your customer's needs? For example, a restaurant may not serve patrons inside, but they can do curbside pickup.
- If you do not currently sell online, explore if this will work for your business and what it would take to accomplish it. Do a breakeven cost analysis.

#### MANAGING PAYMENTS

- Talk to your financial institution about renegotiating terms and interest rates to lower monthly payments. Also check with them about possible payment deferral options and short term, interest free loans and possible SBA and or USDA emergency loans.
- If your company faces a shutdown or severe cash shortage and lease the building you are in, work with your landlord to see if they are willing to lower the rent or even defer it.
- Discuss with your vendors the impact to your sales and cash cycle. Negotiate short term, realistic repayment terms. See if they will give discounts for paying with cash.
- Review upcoming expenses (payables) and ask for adjustments or postponements for 30/60/90 days.

#### LOWER CASH OUTFLOW

- Reduce and slow down outflows of cash. Determine essential expenses. Determine your essential expenses. What expenses can be cut that will not negatively impact your business? Can some purchases be delayed? Are there ways to cut your utility costs? Even small expenses add up.
- Keep any non-essential travel and office supplies to a minimum.
- Use accumulated airline miles and reward points to purchase essential travel and office supplies.

- Prepare a list of all outside service providers and determine which services could be fully eliminated if necessary, and/or performed for a period of time by re-assigned staff.
- Cut expenses Now! Waiting for things to get better often leads to failure.
- Check with your local utility companies to see if they are offering any financial assistance. Some may enact price reductions or payment deferrals.

### INSURANCE

- Are you properly insured? Review your business insurance policy, understand your coverage and exclusions, especially business interruption. There may be a number of relatively low cost insurance options to address business interruption and closures due the state and federal disasters.
- Are they up-to-date? Are there ways to reduce the cost and yet maintain adequate insurance coverage?

### STAFFING/EMPLOYEES

- Perform a critical staff analysis. Who are the key employees needed to maintain minimal levels of operation in “survival” mode?
- Talk with your employees about them modeling a reduction in hours themselves. What is the minimum hours they can work and still survive? Cutting hours is often better than cutting staff. When you have these figures, strongly consider restructuring the way you create your weekly schedule to strike a carefully tailored balance between employees’ needs and workforce productivity.
- If you have to lay off employees to save your business, do it fairly and tactfully, but do it.
- Remind employees of their value and that it is your last resort to consider layoffs or decreases in their hours below their minimum. This will help employees know their importance to you and understand that you’re doing everything possible to protect them. This will create a long-lasting bond and will make them “brand ambassadors” of your company; therefore creating passion and a direct connection to the sales process. Remember, everyone that you employ is a salesperson for your company in some capacity.
- Individuals who cannot work may be eligible for unemployment insurance. Encourage them to complete the online application as the phone lines may be swamped with calls. Individuals who apply for unemployment DO NOT need to come into a WorkSource Center to complete their application. More information on how to apply can be found at:
  - <https://www.oregon.gov/employ/Unemployment/Pages/default.aspx>
  - WorkShare – a program that helps businesses avoid layoffs by leveraging unemployment insurance (UI) to subsidize a portion of lost wages...see link below for more information.
    - <https://www.oregon.gov/employ/Businesses/WorkShare/Pages/Work%20Share%20Home%20Page.aspx>
  - Rapid Response – a task force specifically designed to promote economic recovery and vitality by planning with businesses to avert or respond to layoffs and dislocations to prevent or minimize the impact on workers, businesses and communities. They will work directly with businesses and their employees to assist in layoff aversion strategies, help affected worker apply for unemployment benefits, find access to health care resources and training so they can get back to work rapidly.
    - <https://www.oregon.gov/highered/institutions-programs/workforce/Pages/workforce-employers-layoffs.aspx>

## LONG TERM DECISIONS

- Sometimes a crisis forces us to make decisions we should have done anyway. Not to sugar coat, some business only make the needed change when they are forced to. The key is to not go broke!
- If part of your business is doomed. Cut it off. Don't let it kill the rest of your business. If a business line is on the margins, close it!
- Consider strategic partnerships with competitors or suppliers. Perhaps now is a time to re-evaluate your exit strategy?
- Go back to when you first started the business. What steps/actions did you take to make yourself successful and survive those first five years? What can you implement again to stay afloat?
- Develop a plan, implement the plan, execute the plan and monitor progress of the plan. With new information, make a new decision. Be flexible to pivot.
- Owning a business involves risk. Entrepreneurs can be very stubborn and refuse to give up. Most of the time this is great, but sometimes you just need to throw in the towel. In our panic we can make a move like putting more money in, mortgaging the house, taking out additional loans etc. that may not be the best idea. Is there a reasonable path to survival and success or are you better off ending the enterprise? It is tough both emotionally and financially, but may still be the best course. Know what your cutoff level is and where you are willing to draw the line. Make a cognitive decision of what you are willing to loose.

## ADDITIONAL RESOURCES

- State of Oregon WorkSource Center:
  - <https://www.oregon.gov/employ/Businesses/WorkShare/Pages/Work%20Share%20Home%20Page.aspx>
  - <https://www.oregon.gov/highered/institutions-programs/workforce/Pages/workforce-employers-layoffs.aspx>
- Small Business Administration (SBA) – <https://bizcenter.org/>
- Small Business Development Center (SBDC) - <https://bizcenter.org/>
- Business Oregon COVID-19 Financial Resources for Businesses  
<https://www.oregon4biz.com/Coronavirus-Information/COVID19-Resources.php>
- Helpful link for workers and employers on COVID19 -  
<https://www.oregon.gov/employ/Pages/COVID-19.aspx>
- Check with your County and City officials to see what type of business incentives they may offer to help with financial assistance.
- Your local Chamber of Commerce and local Economic Development Agency may have support options available to you as well.

### **Tom Schnell**

Business Finance Officer

**Business Oregon** | [www.oregon4biz.com](http://www.oregon4biz.com)

541-280-1631 mobile

