



SUPPORTING
strategies®



SUPPORTING STRATEGIES E-BOOK

Managing Your Business During a Crisis

Tips on Administration, Leadership and Maintaining
Cash Flow in Tough Times

By Earle Durham

supportingstrategies.com



Disruptions to your business can come in many forms, from natural disasters like hurricanes, floods and tornadoes, to supply chain interruptions, to global pandemics such as the coronavirus crisis.

The businesses that are positioned to survive difficult times have continuity plans in place for foreseeable interruptions as well as the agility to respond on the fly to rapidly changing events. Above all, navigating a crisis requires business leaders who act calmly yet decisively in the face of challenges that neither they nor their employees have experienced before.

The following tips can help ensure your business will be among those that don't simply make it through a business disruption but emerge on the other side stronger than ever.



Tap Into Your Network of Experts

In times of crisis, it's tempting to think of "assets" and "resources" strictly in financial terms. However, your most valuable commodity could be your brain trust — the network of experts, mentors, advisors and financial professionals you've developed as you've built your business. Your first step in managing an extreme disruption like the COVID-19 outbreak should be to consult as many of them as you can, as soon as you can.

If your business has a board of directors, you have an obligation to discuss any financial crisis with them, of course. The best approach is to be open and honest. Don't sugarcoat the situation. They can't help you unless they know the full extent of the problem.

Even if you don't have a formal board of directors, you do have an informal network of bankers, accounting support (e.g., bookkeeper, CFO, controller, accountant), lawyers, sales and marketing professionals, HR specialists and industry insiders. Each could be the source of information, guidance, contacts or solutions that you had not thought of — but which could help save your business.

Be sure to include your employees when giving status reports and preparing strategy sessions. Direct communication will reassure them and make them feel valued. Plus, staff members who are on the front lines, dealing directly with customers and vendors every day, can often provide great insight on ways to improve products and processes while cutting costs. Instill an "all-hands-on deck" mentality throughout your organization, and encourage everyone to suggest at least one actionable idea for reducing expenses or making process/product improvements, such as tailoring your sales pitch or marketing to fit the "new normal."

Lastly, be sure to follow through and implement the best ideas. Empowered employees are loyal employees, and loyal employees are what you'll need to weather any storm.



Retain Your Customers

It's much easier and less expensive to retain your existing customers than to find new ones. Communicate with customers about your status and any service interruptions that might occur. Increase the frequency with which you reach out to your customer base, and find out what they need now and how you can best assist them. Anything you can do to deliver added value during tough times will help build loyalty, as customers will remember how you made them feel.

In addition, figure out which of your clients are weathering the storm better than others. These could be a good source of cross-selling opportunities.



Leverage Your Team

Your employees not only are a great source of innovative ideas, but also can help you as you adapt your business. For example, to help increase revenue, you can shift interested employees to the sales effort. If you have underutilized employees, consider training to improve their job skills. Think about what your business will need to move forward beyond the crisis, and prepare your workforce accordingly.



Base Your Decisions on Solid Financial Intelligence

Have you transitioned all your financial records to a cloud-based system of bookkeeping software? If not, you should do so immediately.

First and foremost, using the cloud enables you to access your financial documents remotely. If you and your team are suddenly forced to work from home, but all your key financial statements are stored on a desktop computer (or worse, on paper in old-fashioned file cabinets) at your place of business, how will you quickly get the data you need to make critical decisions in an unstable environment?

A cloud-based bookkeeping system gives you instant access to vital financial intelligence and can be customized to deliver real-time updates on your key performance indicators through a virtual dashboard. And that, in turn, enables you to make day-to-day decisions based on actual, up-to-the-minute financial information instead of hunches. In addition, having current financial records readily available can be invaluable when applying for bank loans or emergency assistance.



Consider Outsourcing

For many businesses shut down during the coronavirus crisis, the most pressing problem was what to do about all those employees who remained on the payroll despite the lack of revenue. Many business leaders responded by looking into an Economic Injury Disaster Loan or the Paycheck Protection Program enacted as part of the Coronavirus Aid, Recovery and Economic Security (CARES) Act.

Preparing paperwork to apply for the loan and documentation for loan forgiveness created additional bookkeeping work. But that experience also revealed one of the obvious benefits of outsourcing: An outsourced bookkeeping services provider can help with a temporary crisis like the COVID-19 outbreak while also supporting you through routine stresses like preparing for tax deadlines.

The coronavirus shutdown also gave business leaders a chance to review every facet of their operations for additional outsourcing opportunities. In making difficult decisions about restructuring their companies, many leaders had to redeploy and redistribute resources in order to retain their best employees. In some cases, that required asking key employees to take on additional duties. In other cases, outsourcing some of those duties proved to be a viable option.

By outsourcing non-core functions, business leaders can focus on tasks where they and their employees can add the most value. A crisis is not the time to try to do things yourself if you lack the expertise — it's the time to enlist professionals who can provide guidance.

Functions to consider outsourcing:



Human Resources



IT



Sales



Marketing



Bookkeeping



Optimize Your Cash Flow

All the best-laid plans for steering your business through a crisis will mean nothing if you don't have sufficient cash. Follow these tips to closely monitor and forecast cash and to maximize cash in while minimizing cash out.

Create a Cash-Flow Forecast

- Create a cash-flow forecast that projects the next 13 weeks, six months or even longer, depending on your cash-flow cycle.
- But don't wait 13 weeks to update it! It's important to review and update your cash-flow forecast at least once a week so you can react to a fast-changing environment. If you're not sure how to do this, now would be a good time to follow the advice in the previous section and explore outsourced bookkeeping services.
- Looking at the balance in your checking account and deciding which bill to pay is not sufficient. You must forecast your cash needs to take actions before it's too late.

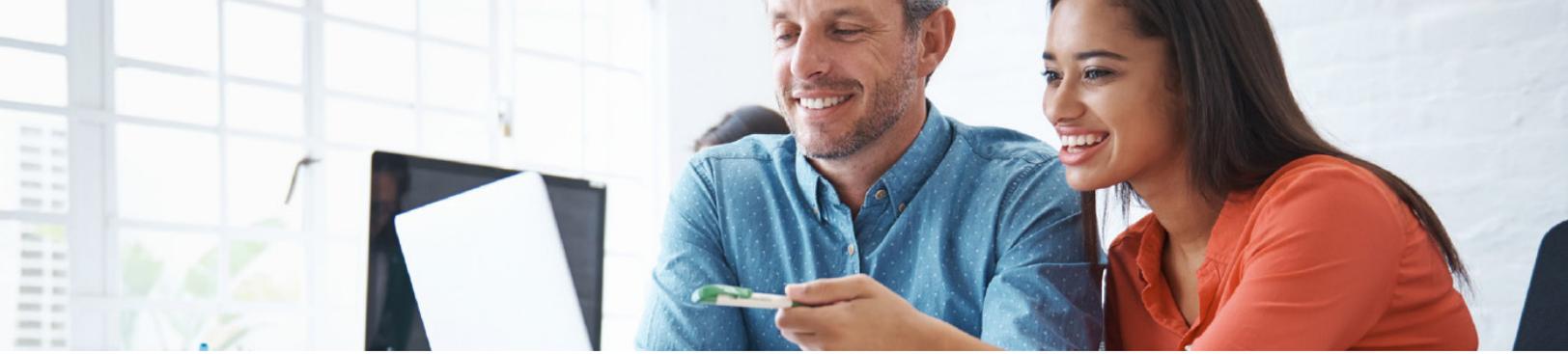
Get Cash in Faster

- For project-based businesses, have your team close ongoing projects as quickly as possible so you can invoice clients and process payments sooner.
- Consider offering special promotions to bring in cash earlier in the sales cycle.

- If you need cash to support the next phase of your project, consider asking clients for advances.
- Talk with clients who are late in paying invoices. Offer different solutions depending on their needs, such as discounts for businesses that can pay in full in advance and payment plans for companies that need additional time.
- Work with your merchant services provider to get paid quicker — and while you're at it, check their fees.

Push Out Payments

- Be proactive in managing accounts payable. Talk to your vendors and see how they can assist. You can consider:
 - Opportunities to switch to a payment plan instead of paying in full
 - Whether the vendor can push terms from 30 days to 60 days
 - Whether the vendor can offer a substantial discount for paying in full
- Also, make judicious use of your company credit card (not your personal credit card) to distribute the A/P burden.



Find Ways to Reduce Expenses

- Tempting as it might be to cut costs across the board, not all expenses are created equal. Reviewing and deciding at the line-item level will yield better results.
- Review your monthly profit-and-loss statement in detail. A closer analysis might reveal that some products or services are continuing to pay for themselves while others are generating little or no revenue/gross profit dollars. Eliminating low-margin/loss-leader items while bolstering your strongest sectors can greatly improve your profit margins.
 - Pay close attention to mix changes, and consider alternative revenue sources.
 - Review and forecast your cost of goods sold based on your forecasted mix, and determine if these changes will add cost. If so, explore areas for cost reductions, such as just-in-time inventory management, discounts from vendors and price-matching.
- Review and forecast your revenue, running a stress test by forecasting possible what-if scenarios. This will allow you to forecast your gross profit dollars, which in turn will tell you if you have adequate funds to cover your fixed and general expenses in best-case, worst-case and best-guess scenarios.
- Take a big-picture look at your expenses — which ones can be postponed or eliminated? Understand your fixed versus variable expenses, and look for opportunities to reduce cost, such as asking for discounts from vendors. Keep in mind that some expenses will increase in times of crises, and make sure you budget accordingly.
- Wages are a major expense. Look for loan options if applicable. Talk to your HR professional to make sure you comply with regulations. Consider options such as reduced hours, workshare programs and voluntary leaves of absence.

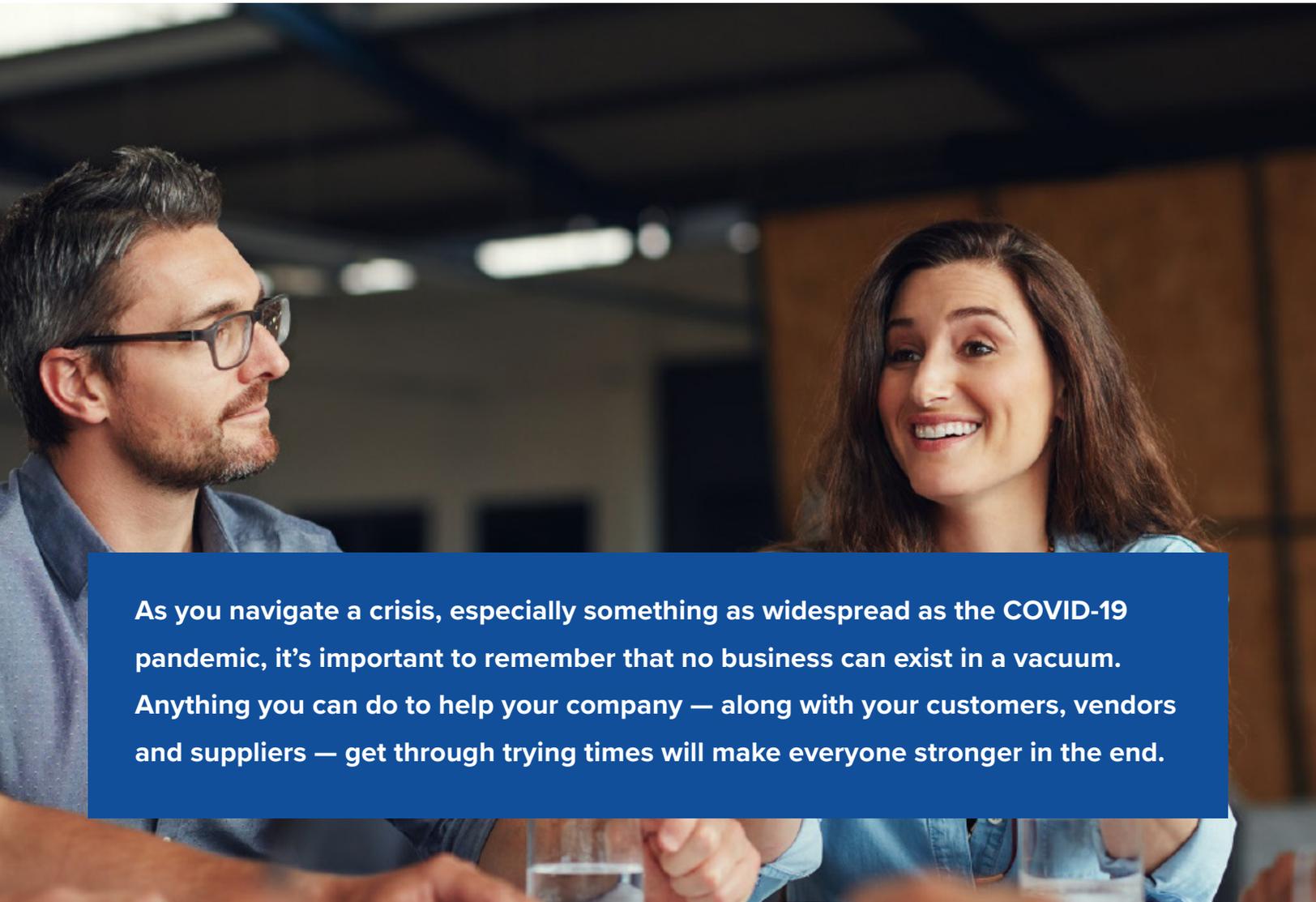
Establish Financing Options and Monitor Debt

- From lines of credit to credit cards, every business should establish financing options before a crisis hits. If you haven't, start the process as soon as you can.
- The coronavirus crisis emphasized the importance of establishing a strong banking relationship on both the asset and lending sides.
- Review your current debt schedule at least monthly — or weekly as part of your cash forecasting. Include all outstanding loans, credit cards, vehicle leases and loans, and lines of credit. Understand your most cost-effective options, and identify priorities for paying down the loans when cash flow permits.
- Look into loan deferments/forgiveness if applicable. Your lender may be willing to defer payments or extend your line of credit. In addition, the government may provide programs to forgive payments — visit the Small Business Administration site to learn more.
- Talk to your investors if you need an additional cash infusion.





Take the Long View



As you navigate a crisis, especially something as widespread as the COVID-19 pandemic, it's important to remember that no business can exist in a vacuum. Anything you can do to help your company — along with your customers, vendors and suppliers — get through trying times will make everyone stronger in the end.

About Supporting Strategies

Supporting Strategies provides outsourced bookkeeping services, controller services and operational support to growing businesses. Since 2004, our locally owned and operated offices have served thousands of companies, helping business leaders free up their time, focus on their core competency and streamline their business. Our experienced, U.S.-based professionals use secure, best-of-breed technology and a proven process to deliver a full suite of services, including accounts payable, accounts receivable, bookkeeping, financial analysis, payroll administration and more. For more information, please visit www.supportingstrategies.com.