

Navigating Uncharted Waters: Responding to the Business Impact of COVID-19

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As I write this, individuals, businesses, governments and communities around the world are contending with the COVID-19 pandemic. Despite this unprecedented crisis, organizations are responding with determination, purpose and compassion – to protect the health of employees, ensure continued service to clients and customers, and “harden” their operations against economic contagion.

While all organizations are in uncharted waters in dealing with the resulting economic turmoil, professional firms such as ours have a responsibility to help clients navigate through the crisis. Many businesses have addressed the immediate needs created by the pandemic: implementing remote workplace regimens, revising paid-time-off and other policies to assist employees, enacting customer support programs, etc. Having addressed the most urgent needs, it is now time to focus on issues that pose an existential threat to long-term business continuity and viability. Here is some advice that we're sharing with our firm's clients.

Take a Deep Breath. Probably the best advice I can give is to keep calm and not make snap decisions – even if it's tempting to react quickly to issues. For example, a company that reacts to a slowdown in business by laying off staff may discover that some government programs deliver a stimulus to businesses that keep employees on the job. Similarly, business leaders should not believe everything they read – at least not without corroboration. Much is being written by so-called experts, who may be rushing to publish their advice without sufficient time for research and analysis.

Get a Handle on Cash Flow. Cash flow is one of the biggest challenges in this environment. Revenues have likely been reduced (or at worst have been cut off entirely, as in the case of restaurants and retailers that have had to close their doors). At the same time, expenses are rising for many companies that must buy more IT equipment for remote workers, increase employee benefits, or assume higher supply chain costs. It is imperative that companies have a firm understanding of their cash flow, and make efforts to regularly update projections, prioritize obligations that must be funded first, or seek to defer some payments.

Increase Your Financial Flexibility. Companies that are contending with the impact of the Coronavirus should make sure they have the capital and liquidity to withstand pressures on the business. In many cases, companies with approved lines of credit should consider drawing down the maximum amount available under those facilities, to ensure that credit will still be available when needed.

Don't "Go It Alone." Company management should not make decisions without consulting their professional services providers. While admitting my own bias in this regard, businesses dealing with complex and unfamiliar problems should view their

accountants, financial advisers, attorneys and other professionals as partners in devising effective solutions. I'll never forget a client who, during the last financial crisis, asked me to go line by line through his company's expenses and help him identify areas to cut back. But he skipped over the line for accounting and legal fees. When I asked why our firm was "spared," he said he needed our advice more than ever. Now is not the time to shy away from calling upon your professional service partners.

Communicate, Communicate, Communicate. At times like these, one thing that people need and value most is communication that is frequent, clear and credible. Employees, customers, suppliers and members of your community want to see and hear from business leaders who are actively leading. Regular communication can take some of the fear and uncertainty out of the equation – as long as you are honest, factual and don't over-promise. It has been incredibly heartening during this crisis to get e-mails from clients and others thanking our firm for communicating, offering help and just "being there."

Plan for the Recovery. Businesses should be careful not to make decisions now that may hamper their ability to resume operations quickly when things get back to some semblance of normalcy. Reducing payroll too deeply, cutting ties with key suppliers, or not having a plan to reopen shuttered operations may prevent the company from getting "back to business" in a timely manner. It's also important to consider how your business model may need to adapt to a post-pandemic world. For example, will more of your operations be conducted virtually, even after it is possible for employees and clients to return to physical locations?

While it is impossible to predict what the economic environment will look like once we get past the present crisis, I have no doubt that we will get through this. Adopting some common sense strategies now will help ensure that your business will experience less economic pain now – and bounce back faster as economies, industries and markets return to economic health.