

Small Businesses Resiliency

Preparation For Any Situation

Listed below are some steps that small business owners should take now to be prepared for unexpected circumstances that might cause business interruption; such as natural disasters, recessions and pandemics.

1. Look at your financials and cash flow. How long can you “make it through” in case of a quarantine, lost wages, employee absenteeism (when you are paying for sick leave AND not bringing in revenue)? What do you need to bridge the gap? Plan on a 6-8 month drop in revenues. Map out cash flow now. Get a credit line approved now. You don't have to use it. But you'll have it when you need it. Aggressively pursue accounts receivables. Having available cash on hand will enhance your ability to continue operations of your business when revenue streams dry up unexpectedly. Think back to working capital needs for assessing startup capital needs.

2. Slash your overhead. If you're worried about losing customers or employees due to sickness, school closures, or possible quarantines, cut the things you don't HAVE to spend your money on.

3. Communicate, Communicate, Communicate and Get Online! Keep staff and customers informed and up-to-date on your operations. It's important for businesses to keep in touch with customers to help maintain them through this incident. Let them know what steps you are taking to ensure a safe and clean establishment, what your open hours are, and how to communicate with you. Use email auto-reply with answers to frequently asked questions to help your customers get information quickly. Likewise, offer alternative methods of good deliveries (curbside service, at home delivery, drive thru, etc.). Utilize online platforms, like Facebook and your website, to inform customers of your operating status and how to purchase your products or services. Communicate this information through direct email to customers and through social media such as Twitter. Make sure you have a Business Profile on Google and the information is up-to-date. Postal mail might be another way for your message to get customers' attention who are being bombarded with emails.

4. Understand your insurance policy. What does your insurance cover? What doesn't it cover? Business interruption insurance is insurance coverage that replaces business income lost in a disaster. Business interruption insurance is not sold as a separate policy but is either added to a property/casualty policy or included in a comprehensive package policy as an add-on or rider. If you don't have business interruption insurance, it may be too late to help you in this emergency, but you should know what it is, how it works, and how much it costs. A government mandated closure (hospitality businesses, for example) most likely will enable business interruption insurance to kick in.

5. Look at your supply chain. Are they diversified or are you relying on one source for your products? Supply chain management is essential in any global pandemic. Travel, workforce absenteeism, and financials will impact supply chains across the world. It's important you have multiple providers of a resource that is the core of your business. Consider partnering with other businesses to share a vendor contract. That will make your order larger and a higher priority to the provider and may help to reduce the costs of goods.

6. Develop an incident response plan. What do you have in place in case of a quarantine? Can your employees work from home? Can you sell online or deliver instead of staffing brick and mortar? What kind of technology can be implemented to reach your customers? What communication is in place to your customers and employees? Identify essential functions and cross-train employees now so several can perform those tasks. Consider what programs or services could temporarily be shut down. Think about potential disruptions in supplies, services, and transportation in the likelihood those organizations experience employee absenteeism. Identify alternative vendors / suppliers / etc. and how to reach them. Store information on your employees, vendors, and clients in an online account so it's accessible from any device. A good tool to ensure you have a plan in place for several types of events is the Ready Rating tool from the American Red Cross (www.readyrating.org).

7. Prepare for a disaster loan. Complete and assemble the prior years' financial statements. Start documenting and forecasting the impacts of the situation. In the past, SBA disaster loans have required many forms, can be confusing, and could take 3-6 weeks before receiving the money. Additional details on SBA Economic Injury Disaster Loans.

8. In the Event of a Pandemic - Practice Social Distancing! Social distancing is a term applied to certain action to stop or slow down the spread of a highly contagious disease. Here's some action items you can implement quickly in your business:

- Encourage staying more than three feet apart
- Do not high five, shake hands or have close physical contact
- Wash your hands more frequently and use hand sanitizer
- Clean and disinfect your work and customer areas more frequently

Common Issues Small Businesses May Encounter

- **Workforce Capacity** – Pandemics have just as much impact on your workers as they do your customers. It's critical to ensure they have the ability to fulfill their duties while protected.
- **Planning** – As a business, bring your staff together and prepare a plan for what you will do in the event of an emergency. Have a plan and make sure the staff knows and understands the procedures.
- **Capital Access** – Any crisis can strain a small business's financial capacity to make payroll, maintain inventory, and respond to market fluctuations (both sudden drops and surges in demand). Businesses should prepare by exploring and testing their capital access options – MS-SBDC can assist with this.
- **Changing Market Demand** – Access controls or movement restrictions might impede your customers from reaching your business. Additionally, the public may decide not to go to your business out of concern of exposing themselves to greater risk.
- **Marketing** – It's critical to communicate openly with your customers about the status of your operations, what protective measures you've implemented, and how customers will be protected when they visit your business. Promotions may also help incentivize customers who may be reluctant to patronize your business.
- **Inventory and Supply Chain Shortfalls** – It is prudent to ensure you have either adequate supplies of inventory for a sustained period and/or diversify your distributor sources in the event one supplier cannot meet an order request.
- **Facility Remediation/Clean-up Costs** – Protect customers and staff by increasing the frequency and intensity by which your business conducts cleaning of surfaces frequently touched by occupants and visitors. Check your maintenance contracts and supplies of cleaning materials to ensure they can meet increases in demand.
- **Insurance Coverage Issues** – Many businesses have business interruption insurance; now is the time to contact your insurance agent to review your policy to understand precisely what you are and are not covered for in the event of an extended incident.