The news agencies have been quick to point out the effect of the Coronavirus on people and stock markets throughout the world. Just now, we are starting to hear about the proactive actions that some large businesses are taking to survive the Coronavirus - Disney is closing, airlines are scaling back travel routes, and even Nike and Apple are closing their stores.

But what can small businesses do to manage and survive the Coronavirus?

Surviving a business crisis involves quick and decisive actions from the executive management team.

Different businesses will be affected differently and proactive actions and the degrees of those actions must also differ. That said, we will share our general advice and course of actions that should always be followed when your business is facing a crisis.

1. **Think positive** – as the leader of the business, everyone in the business takes their cues from you. Even if your business will suffer significantly, staying positive and focused on solutions is always job #1. This is a critical and important step in keeping your team positive and focused on solutions.

2. **Understand that this issue is likely temporary** – identify the timeline. The goal of managing through a crisis is to also understand the timeline of this crisis and how it will affect your business. With your executive team, estimating the timeline is a critical element to effectively managing through a crisis.

3. **Once you have identified the timeline, a strong emphasis in cash flow forecasting, budgeting and planning is critical.** If you and your team cannot agree to the likely time frame that this crisis will affect your business, consider running cash flow scenarios based on different timeline assumptions. Remember, cash is king during times of crisis and treat it as if your businesses survival depends on it – as it likely will.

4. **Understand your cash inflow first.** Do this by assessing your cash conversion cycle, from booking of customer orders to sales and through the collection of receivables. Then, project this on a week by week basis (likely for 90 to 180 days). An Excel spreadsheet is the best software tool in understanding the impact to your analysis when one or more of your assumption variables change.

In creating your cash inflow, you need to consider questions such as whether or not your business suffers the consequences of this crisis immediately (like a bar, restaurant or hotel), or will your business suffer the consequences at a later point in time. For example, if you are working in a business that manufactures or resells products, you likely have a healthy level of receivables that you can rely on over the next 30, 60 or 90 days. In this case, you may not have a cash issue in the next 30 to 90 days, but it will come. If you have not taken corrective actions as soon as possible, you may suffer significant effects as your cash flow diminishes – in the weeks and months to come. Ensure you also analyze your current accounts receivable to ensure that
the quality of the outstanding accounts is not becoming degraded, as that can compromise your ability to collect in a timely manner. Understanding the payment reliability of your customers, especially the largest ones, is key to understanding how your accounts may begin to age beyond normal payment practices. This will help ensure that your cash forecast is based on reasonable assumptions and is rooted in reality.

5. **Rank your expenses (on a cash paid basis) in order of most important to maintain, to least important to maintain.** Do this also on a week by week basis. Examples of most important expenses to maintain would be rent, key staff, supplies needed to maintain current sales, etc. Examples of least important expenses to maintain may include extra payments on loans or dividends to owners, purchases of new equipment, purchases supporting an increase in inventory, temporary staff costs, sales team trips, meals and entertainment etc. Many companies experiencing a downturn will rank such expenses on an A/B/C basis, where A represents expenses that are critical to the business, B represents essential expenses that have the ability to be delayed, and C represents discretionary expenses that can be temporarily discontinued. In particular, inventory expenses require significant scrutiny, as inventory tends to accumulate rapidly when business activity decreases, if it is not properly managed.

6. **Determine your weekly net cash (cash inflows less cash outflows).** The goal is to analyze your weekly cash gain or loss and the impact it has on your business. A negative weekly cash flow is sustainable for a period of time, but you want to know this ahead of time by projecting this. If you find you are running out of cash, then usually the answer is to further cut costs or to secure additional sources of cash to keep the business operating.
7. Always keep communicating often with key customers, suppliers, staff, trusted professionals and most importantly, your banker. Understand what they are facing and understand the help they are willing to offer you. They are your partners in your business and they can often offer a
significant level of help, and some of them may be looking to you for the same favor. The importance of open communication can’t be overstated.

8. **Remember the silver lining** – Behind every storm is a sunny day with new opportunity. Look at this crisis also from your competitors’ point of view. The first person standing after the storm is likely to gain new market share. Crisis management also involves a strategy for recovery and new market share.

The above general advice is based on decades of expert CFO experience within the Nperspective team. Our goal is always to provide this high calibre advice from seasoned CFO professionals affordably to small and mid-size businesses through consulting and also ongoing support through expert fractional CFO services. As both professional and highly experienced CFOs, our team at Nperspective is well experienced in crisis management. All of us have been CFOs since prior to the 2008 financial crisis and it would be a pleasure to discuss the strategy your business is pursuing to survive and eventually prosper through this crisis.

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