

Five questions to answer in a crisis

As every business is unique and faces different circumstances, documenting the actions you've taken before you contact support organizations will give better insights into how they may be able to help your business going forward.

There are five pieces of information or questions you should answer when your business is under stress.

1. The future impact on cash flow

How will the crisis impact the week to week cash that flows in and out of your business? Sketching out a number of cash flow scenarios will identify what could happen in the future and help decide what level of funding needs to be considered. Run a number of cash flow examples where sales drop (or cease) over a period of time. For these scenarios consider:

- costs you will no longer have
- extra cuts you can make
- the revenue you need to break-even

the length of time it takes to recover and minimum sales needed to at least break-even

Each drop in sales will have a corresponding fall in variable costs (materials, cost of goods sold) but at some stage, you may find it's uneconomic to continue with certain products and services if the fixed costs are too high. In these cases, you may have to lower your overall cost base (possibly making staff redundant, moving premises or closing down less profitable product lines).

With each of the cash flow scenarios, outline the decisions you expect to make to be able to still trade now and in the future.

2. The state of your supply chain

It's not just your business that gets impacted by a crisis. Outline what's happened to the key suppliers you rely on and identify risks to your business if they can suddenly no longer deliver. This is especially critical if you have exclusive or hard to replace materials or products as part of your own delivery to customers.

Develop an alternate supplier plan and consider reaching out to these businesses as a back-up if your existing supplier can't deliver.

3. If you have raised any extra capital

Before you start to borrow and add to any existing debt, you may find spare cash within your business to tide you over. There could be machinery that you no longer need or vehicles you use on an infrequent basis which could be sold and turned into cash and leased back when you need them.

The important point in a crisis is to still be trading, even if it means selling off parts of the business to remain solvent. Other ways to raise extra capital include:

- selling parts of the business
- liquidating excess inventory or raw materials
- re-investing your own capital
- finding external investors.

Go through your business to see what you don't need and convert as much as you can to cash, without handicapping your core business.

4. Actions already taken

It's useful to list what steps you've already taken to minimize any issues the current crisis has caused. This could include applying for government support, negotiating with suppliers part-payments, deferring costs to a later period (rent and interest are common examples) and amending your terms of trade to collect money faster. Possibly you need to temporarily cut hours or salaries of your employees.

Ultimately there will be key decisions to make to determine if your business can trade out of the current crisis.

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5. Your future plans

You may be able to pivot your business towards new revenue streams by finding different customers or markets, develop new products or services, or find new ways to sell to your customers. Outline what you aim to implement to bring your business back to profitability.

Think also about how much additional risk and debt you feel comfortable taking on, as you will know the future potential of your business best. Do you cut your losses and exit, or continue to build on your life's work and passion?

Regardless of which actions you have taken or will take, document the changes and reach out to your bank, industry, local networks, and your investors as early as you can to help find the right support for your business.

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