



Rogue Community College Small Business Development Center

Building Oregon's Best Businesses

214 SW Fourth Street | Grants Pass, OR 97527

541-956-7494 | 541-471-3589 fax | www.roguecc.edu/sbdc



To: SBDC Clients

From: RCC SBDC Director and Staff

Date: March 10, 2020

Subject: Business Adversity Response Plan

Businesses must evaluate risk everyday as a normal part of operations. As physical and social environments change, a business owner must evaluate those changes and respond appropriately. Further, it is important to note that some changes can be a result of real physical conditions, like wildfires and the associated smoke, or they can be driven by social reactions to current events like those that we are experiencing. In our current global environment, we are all faced with an evolving impact that is currently lacking in actionable facts and information, and it being elevated by social concerns and reactions. In any case, the Coronavirus is creating significant impacts in many industries, e.g. travel, entertainment, etc. and it is leading to new social behaviors that are altering real time market and purchasing decisions.

At the Rogue Community College (RCC) SBDC, we alongside many others in our community are trying to assess the best strategies, to cope with and prepare for these potential changes to our local business environment. We stress the word potential because at this point no one can accurately foretell the extent or timing of these changes.

The RCC SBDC has developed a set of guidelines for you to consider in not only this situation, but in any situation that may create significant impacts to your business operation. The reason for developing these guidelines is simply to help you be prepared in advance to respond to an abrupt decline in sales or profit, and to identify any changes to your operations that would make your business more resilient. The objective is to develop a plan of actions that you can **implement quickly** should they become necessary.

The implementation of these actions should be determined by the severity and duration of the actual sales and cash flow declines, and on a business-by-business basis. The “activation” of each action should be determined, as appropriate, by each business owner. It is our hope that a minimal response will be required and that you can continue to operate your business as normal.

One final note, the extent of any crisis can be mitigated or expanded to some degree by our individual reactions to the situation. The RCC SBDC strongly recommends that businesses react appropriately and with due consideration when taking any action that will materially affect your customers, employees, and operations. Unwarranted reactions can lead to a self-fulfilling scenario, which can then adversely affect your individual business and ultimately affect our entire business community.

The RCC SBDC is available to assist you in assessing the appropriate actions for your particular business. Please contact us at 541-956-7494 if we can assist you in this planning process, or if you have any questions regarding these guidelines.



Oregon Small Business Development Centers are funded in part through a cooperative agreement with the U.S. Small Business Administration, and by the Oregon Business Development Department.



Business Adversity Response Plan

Assumptions and Considerations

The following plan is based upon the potential significant negative impact on our local business community related to the Coronavirus.

The response and implementation of this plan will vary depending on the nature of the event, seasonal business levels, and geographical distribution of the impacts.

All sales and cost savings actions within this plan are general, and not specific to any one business. At this time, it is unknown the potential impact on sales if we experienced a significant economic downturn in our economy related to the Coronavirus. However, business owners could expect to see a possible 25-50% decline in sales if there were significant negative events related to the Coronavirus.

Actions should be based upon the actual decline in business, and will vary from business to business, and market by market.

Sales

Obviously, sales are the lifeblood of every business. However, in this situation your ability to minimize a contraction in sales may be limited. A few actions to consider are:

1. Depending upon your business model it may be appropriate to identify your Top 10 key customers / suppliers to discuss any potential downturn they might predict e.g. in terms of their sales /operations, or problems with supply / material shortages, and to what degree these issues might affect your business.
2. Complete a significant sales reduction plan for your business reflecting a sales decline of 25%-50%. The actual percentage will be dependent on your personal business judgement, and to what degree your particular business market expects to be impacted. This plan should analyze and address adjustments to staffing, inventory, operations, and cash flow.
3. Based on evolving market changes, from a longer-term perspective your business may want to consider suspending or reducing significant marketing and advertising expenses.
4. You may want to review and streamline product and service offerings to concentrate on high margin easily produced items.

Cash Flow

Managing cash during a time of unexpected economic downturn is highly important for the immediate and long-term sustainability of the business. A few actions to consider are:

1. Using your projected sales reduction forecast, develop a cash flow projection for the next 6-9 months so can anticipate your potential cash positions.
2. Review Accounts Receivable aging to ensure that all current customers are “paid as agreed”. Consider shortening current payment terms.
3. Management of Accounts Payable will be crucial and all outgoing payments should be personally approved by ownership before the “check is released” for payment.
4. Prepare list of all outside service providers and determine which services could be fully eliminated if necessary, and / or performed for a period of time by re-assigned staff.
5. Credit / Lender Facilities – Review all current Lines of Credit (LOC) related to the business for purposes of determining available line limits (if needed), as well as consideration of potential other lending resources (if needed). Consider a short-term transfer / draw on your existing LOC's to insure access to cash.
6. Review non-critical long term purchases to consider more just-in-time purchases to reduce inventory costs and to free up cash resources.
7. Review all current and projected repairs / capital improvement needs and consider postponement of such work as appropriate.
8. Initiate discussions with landlords regarding the possibility of rent reductions or abatement for a short period of time

Staffing

1. Using your projected sales reduction forecast, develop a staffing plan for the next 6-9 months. This plan should consider appropriate staffing by function within your business. In some cases tough decisions may be required for instance in assessing the need for sales personnel levels versus production personnel. The business should also examine of the possibility of short term re-assignments to maintain current staff, i.e. employees serving in new roles.
2. Perform a critical staff analysis. Who are the key employees needed to maintain minimal levels of operation in “survival” mode.
3. Determine strategically if the best / resilient business-staffing model is quantity of employees versus hours paid to each employee. For example, would it be better to generally reduce hours for all employees or layoff some employees and retain others at full time.

4. Conduct individual 1-to-1 or group employee meetings to discuss the company's overall plan in basic terms, while providing assurances the company is taking pro-active planning steps. The preference of 1-on-1 versus team meetings should be based on your prior business management experience. At the same time, this is a good opportunity to remind employees about their own personal cash flow planning in the event the region experiences a significant economic downturn.
5. Employee hiring and training is another area that will require a delicate balance. While many businesses see seasonal trend increases as we approach the spring and summer season, it will be imperative that this is monitored on an ongoing basis and aligned with emerging sales trends.
6. As noted earlier, analyze what business support functions are currently outsourced to third parties, which could be converted to internal re-assignment employee opportunities.
7. Evaluate possible short term cross training opportunities to increase employee scheduling flexibility or to cover critical functional / production needs.
8. Consider deferring any turnover replacements / hiring until sustained business sales / volumes justify the need.

Operations

1. Implement measures as appropriate to reduce the potential for employee and customer viral exposure.
 - a. Clean and disinfect public / shared surfaces
 - b. Review guidelines provided by local, region, and federal health agencies
 - c. Strongly encourage employees who exhibit any symptoms to stay home
 - d. Discuss with employees social distancing measures where appropriate.
 - e. Post communication to partners, employees, and customers regarding measures that the business is taking to increase safety
2. Current critical product / materials inventory levels. This is delicate balance as you have to consider any potential interruption in supply (e.g. hand sanitizer) while minimizing cash you have tied up in necessary inventory. It is recommended you meet with your suppliers to discuss any potential interruption in supply channels. This should be reviewed on an ongoing basis along with sales trends to insure best uses of cash resources.
3. Review hours of operations and other modifications related to a significant downturn in business.
4. Look at staging or prioritizing production to smooth or delay significant cost expenditures
5. Consider supplemental PPE (e.g. vinyl gloves, masks, etc.) where appropriate.
6. For certain retail markets considering adding a delivery service for customers.



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In reviewing events related to the Coronavirus both domestically and internationally, we felt it prudent to provide you with this information. We are assuming that to some degree a significant economic downturn will be related to the now indeterminate Coronavirus related impacts. This document is not intended to be an “over-reaction” or “panic related” in regards to current events here in the United States and abroad, it is simply meant to provide you with planning guidelines and possible suggestions to be used prudently and as appropriate as this all unfolds.

Sincerely,

RCC SBDC Director and Staff



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