

Don't Let The COVID-19 Crisis Define Your Small Business!

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Throughout most of our lifetimes, there have been crisis situations that have affected small businesses. Ranging from the most recent global financial crisis from 2007-2009, to the recession of 2001 and Y2K/dot.com bust of 2000, small business has not escaped the economic cycles and events that have routinely occurred throughout history. Today we find ourselves in a new crisis that echos back to the Spanish Flu of 1918 and is proving to be a major defining challenge for our business communities.

There are many factors contributing to the degree of challenge faced by small businesses today. These factors include being deemed an essential/non-essential business, the degree of existing cash reserves or additional funding required, the amount of proactive planning being done and the relative demand for a product or service during these times. Although each of the foregoing factors is of vital importance to business health, we believe there is one overriding factor that will determine the resilience of small business during challenging times. That key factor is how small business owners and leaders choose to respond to the challenges at hand. Winning football coach Lou Holtz said it best when he stated "Life is ten percent what happens to you and ninety percent how you respond to it." The same holds true in business. How we respond to the COVID-19 pandemic has the potential to determine the survival and revival of our enterprises.

A case study in the importance of proper crisis response occurred back in 2009 when in the midst of the financial crisis we were called upon by the board of a struggling automotive company to help them envision and plan for a brighter future. Founded after WW2, the business had grown steadily both in revenue and profits. However, in 2008 the business began experiencing a severe decline in revenue and subsequently morale. The situation was exasperated further by the CEO's response to the crisis which was to withdraw to the executive office suite, limit creative input from staff and employ a "defensive" expense control strategy to maintain the business. As the situation worsened, the board recognized the need for an "offensive" strategy to regrow the business and a new CEO to lead the efforts. They responded to the crisis by developing a plan and executing it over the following 12 months. Fast forward 5 years to 2015 and due to how the board responded to the crisis, revenues had tripled and the valuation of the firm increased by 125%.

Although expense control is an important strategy for small business owners to employ during a crisis, alternative strategies should be promptly developed and executed upon in order to adjust to the new economic realities of the marketplace and resume growth. Examples of alternative "offensive" strategies may include strengthening existing customer relationships, identifying tangential markets, identifying new revenue streams and adapting sales/service processes to a changed marketplace. Those forwarding thinking business owners who are adapting to the new realities of today's marketplace are readily observing market trends in their industry, actively planning for the "new normal" economy and prudently executing on

their plans today. As a result, they will increase market share from poorly run businesses who have failed and from still active businesses that have not yet adapted to a changing marketplace.

Several recent examples of small business owners who have developed good offensive strategies, planned for the “new normal” economy and are executing on their plans include:

A hair salon owner that reinvented their business model after being forced to close due to the governor’s orders in their state. With her ear to the ground, the owner recognized some of the challenges that her clientele were experiencing with trying to color their own hair at home. The first challenge was the quality of hair coloring product that was being purchased off the shelf at local retailers. The second challenge was the experience and know-how to apply the coloring agent with good results. As a result, the small business owner developed a “virtual” service whereby a professional grade coloring agent was packaged along with other supplies needed for the hair coloring process and delivered to a client’s doorstep. A subsequent private videoconferencing session was then scheduled with the client, during which time the cosmetologist walked the client through the process of coloring their hair, with real time feedback and guidance.

Two local restaurant owners. The first restaurant owner has elected to close their business, until such time as they are permitted to open for “sit down” service. In the meantime, they are reworking their menu, reimaging their environment and keeping their clientele up to date with frequent social media posts as they prepare to reopen in the new economy. The second restaurant owner has elected to continue to service patrons by providing “take out” meals and is perfecting their model. They are increasing their marketing through social media and are actively attracting new clientele that were unaware of their existence and quality of food. They are not only positioning their business for increased cash flow at present, but in our opinion could increase their year over year sales by a significant margin when they reopen for “sit down” service in the weeks or months ahead.

Like the three examples noted above, many small business owners throughout the readership area of UP Business Today will have the opportunity to decide the ultimate impact the COVID-19 may have on their business. While we are not discounting the challenges ahead, through grit, determination, creativity and planning, many businesses will have the opportunity to grow their way through this crisis. To further assist the readers of UP Business Today with doing so, an accompanying video for this article was produced and can be viewed free of charge at www.lordstoneadvisors.com/videos.

Jeff Ketchum is a 20-year resident of the Upper Peninsula and the Founder and President of several U.P. based small businesses. One of them, Lordstone Business Advisors, Inc., provides crisis consulting, turnaround management and helps guide small business owners through the process of strategic planning, execution and accountability coaching.