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Planning is
the more
important for
businesses

THE Coronavirus is not only resulting in a health crisis, but bringing along an economic one. This begs the question of how COVID-19 will impact economies and how decision makers could prepare and react. Government has already been reactive and launched a series of measures to support businesses and households.

With uncertainty on the duration of the economic slowdown, most businesses are braced for a significant disruption in affairs and revenue declines. To put it bluntly, citizens will in most likelihood face job losses and reduced wages as companies lay off workers, and as workers operating in the informal economy lose income as well. Companies, households and government are likely to face shortages of cash and working capital.

Decision makers now face unprecedented challenges but also the opportunity of a complete rethink. Public debt, for example, is repeatedly cited as being alarming –

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but right now it is a lifeline. Whatever their prior views on budget deficits, politicians and other business leaders now understand that saving our economy and future is the only priority. Government has no choice than to channel cash to households and businesses. In times of crises, partisan interests, point-scoring and finger-pointing need to be set aside. We need to work together, draw on the very roots of our DNA to pull in the same direction and do everything we can to navigate the crisis.

Businesses of all sizes need help at this moment. Retailers, for example, are severely hurting and looking for a bailout. Hotels, airlines, cruise ships, national foodservice chains,

manufacturers, and many more may find themselves in line, too. Assistance should, and is likely to be given. If the pandemic lasts too long, it will be difficult for many enterprises to survive.

Because SMEs have greater credit constraints and are more sensitive to weak consumer demand, they are severely impacted right now, and this is likely to persist in the months ahead. The COVID-19 recession is uniquely damaging to them, especially those relying on foot traffic and social interaction. A large number of SMEs closing down could worsen unemployment, cause economic slowdown and loss of income.

As SMEs, they are also supposed to actively protect

themselves by reducing expenditure and seeking new opportunities during the hard times by giving impetus to innovation and transition. As is known, the pandemic has inflicted heavy losses on offline retail, catering business and tourism. But, at the same time, there are some new opportunities emerging in online retail, online medical care, and logistics and express services, as we have seen in the last week. Enterprises can try to adjust their business models in accordance with the new consumption trends, and can also try operating models such as online business, employee sharing and telecommuting to enhance their ability to resist risks.

Here are three important scenarios for businesses to consider and to accordingly plan the future:

- ❑ Worst is over in two to three months: Acute crisis largely resolved within a two- to three-month period, where business gets back to normal



quickly after a material “bump” in the road. However, it takes several months at international travel, and for consumer spending to pick up.

- ❑ Six months to regain control: More extensive period of disruption over a six-month period leading to a no-growth scenario for the economy or a limited recession.
- ❑ 12+ months ongoing pandemic: Virus spreads widely and public remains in heightened state of anxiety, triggering a global recession.

It is difficult to comment as to which scenario is the most likely, but we recommend businesses and entrepreneurs to consider all such scenarios and start planning accordingly.

1. Understand your financial position and plan for the next couple of months

Repayment of debts, maintaining employees or meeting rental obligations will be determined by your financial position. Consider the various options which may be available and make a plan as to what you need to do to minimise the impact on your business. Cash flow is critical, especially if your existing income and trade has been significantly disrupted by COVID-19.

2. Check your eligibility for government assistance

The Government has announced several measures to help business owners manage the disruptions to their business. Obtain information as to how you could benefit from those and if you are not sure, do not hesitate to reach out to your contacts for guidance and advice.

3. Contact your bank

You may submit requests for loan deferral arrangements depending on your situation. Contact your bank or

financial lender to discuss this arrangement and then consider the options presented to you.

4. Communicate with your stakeholders

It is important that you reach out to all your stakeholders about what is happening with your business during the COVID-19 pandemic. If you have staff, they need to understand what your plans are and the likely impact on them. Be as calm and clear in what you are telling them as possible.

6. Remain in contact with your clients

Keep your customers updated about your services, for example if your business



communicating with your support networks and speak with other businesses to share ideas and innovative practices.

8. Open up to potential partnerships and collaborations

Remain open to synergizing ideas and taking on new opportunities. It is possible that improved business models may be formulated by working with other people and sharing resources.

This is definitely one of the most uncertain times and



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5. Face the situation boldly and speak both to your creditors and debtors

Follow up all your debtors to try and get any overdue payments in. You may need to consider negotiating, based on what they are able to pay in the current circumstances. Also, communicate with your creditors to see what payments you may be able to defer.

is affected by restrictions, ensure you communicate as early as possible what this means for them.

7. Build your networks

This is an important time to reach out to your networks for support and advice. Being able to keep some control over your situation and hear from your peers may be good for your positive mental health. Keep

decisions need to be taken with imperfect information. Organisations that are successful will be those that display the necessary levels of mental agility to take decisive actions and focus on meaningful areas. Businesses themselves, staff and the media will play a key role in reiterating the importance of continuing to support local businesses as this is the most critical today.