

COVID-19 Business “Survivability Acid Test”

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Face it, by now you probably need to re-think most of the assumptions you made for how to generate revenue and pay bills. At Newport, LLC, we’ve found that when late stage emerging and / or lower mid-market companies attempt to scale or face difficult times, they typically do not ask the hard questions - like how COVID-19 could crash a business! The following questions are not naturally asked in normal times, but these are *NOT* normal times. Laying your ears back and coming to terms with your company’s risks and opportunities will ensure it has a better chance of survival in the aftermath of this most unusual disaster. If you need help finding answers, reach out to me.

Operational (*Business Model*) Risks

Supply Chain:

- Which suppliers have been impacted? What’s the effect on us?
- Are other suppliers at risk to stop / reduce shipments?
- What factors may / could impede delivery of the goods we need?
- Do we expect prices to increase?
- With what alternative sources can we substitute?

Operations / Logistics:

- Will our internal processes be disrupted – if so how?
- Where are we most vulnerable?
- How will the disruptions impact our ability to serve our accounts?
- What work-a-rounds do we have?

Workforce:

- What will we do if / when our employees are impacted?
- Will we be able to continue to operate?
- At what point will we be forced to shut down?
- What can we do to avoid a shutdown?
- Can we work remotely? Are we set up to work remotely?

Market Risks

The Industry:

- How will our industry be disrupted by the effects of COVID-19?
- Could these disruptions become permanent?
- What are the short / long-term issues we need to consider?
- What are industry experts saying about the current / future effects?

Customers / Target Markets:

- Are our accounts still spending money, and will they keep spending?
- If not, which accounts might see the most significant changes?
- How long could they resist placing orders?
- How stable is our current revenue pipeline?
- Are our primary sales channels functional and stable?

Competitive Advantage:

- How will this situation impact our current value proposition (VP)?
- If our VP is no longer relevant, what can we do about it?
- What can we leverage for competitive advantage in this situation?
- What will our competitive advantage be as we emerge from this situation?

Financial Risks

Cash:

- Do I have enough cash to weather the current situation?
- What is my current cash flow burn rate?
- When will cash flow reach a critical level?
- Can we compress our Cash Conversion Cycle?
- What can we do now to avoid / defer a cash flow crisis?
- Do we have access to other sources of funds such as credit lines and / or personal wealth?



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- At what point will / should I access these other sources of liquidity?

Expenses:

- Do they seem too high – given the situation?
- What can I do to rationalize / control them?
- Are there expenses I can eliminate or defer?
- If we reduce expenses, what will be the long / short-term positive / negative impact?

Debt / Line of Credit:

- Do I have line of credit access? Is it enough to get us to the other side of this situation?
- Can the line of credit be increased?
- If no line is in place, is it possible to secure one ASAP before we have a liquidity issue?

Leadership Team Risks

- Who on our team is most vulnerable?
- What roles are most critical for the continued operation of the business?
- What happens if one or more of our leadership team goes down?
- Can other members of the management team pick up the slack?
- If not, is there a plan to spread the responsibilities and mitigate the impact?
- Who on our team is the weakest link?

Momentum Risks

- Is there a feeling of helplessness among our employees?
- If so, is there a mechanism for employees to vent concerns and fears?
- Has a believable and clear plan to get through the situation been communicated to all employees?
- Is the leadership team demonstrating courage and confidence?
- Does the leadership team offer frequent words of encouragement to the employees?
- Is there frequent and clear communication by leadership to the entire employee base of progress made?
- How can we turn this crisis into an opportunity?