

Long-Term Business Decisions in Face of COVID-19

One of the hardest decisions a business owner faces is: do we continue operating, do a strategic temporary shutdown, or perhaps now is the time to execute our business exit strategy? It is one that is gut wrenching and requires a lot of thought and preparation. It is not a decision to be taken lightly. It is a choice that has long-term consequences. There is no easy answer. It's a question we do not want to face.

Perhaps now is a time to execute or re-evaluate your business exit strategy?

- Some businesses only make the needed change when they are forced to. Sometimes a crisis forces decisions that should have already been made. The key is to avoid going broke, or worse, borrowing or operating your business into bankruptcy.
- If part of your business is doomed. Cut it off. Don't let it kill the rest of your business. If a business line is thin on the margins or lacking the volume for profitability, close it!

Learn from your own experience.

- Go back to when you first started the business. What steps/actions did you take to make yourself successful and survive those first five years? What can you implement again to stay afloat? What are the minimum amount of resources necessary to operate your business at a break-even point, including paying yourself what you need to cover your personal expenses (essential staff, raw materials/inventory, debt service, etc.)?
- Develop a plan, implement the plan, and monitor progress of the plan. With new information, make a new decision. Be adaptable, be creative, and be flexible enough to pivot if needed.

Don't sacrifice your long-term success.

- Owning a business involves risk. Entrepreneurs can be very stubborn and refuse to give up. Most of the time this is a great strength, but sometimes it is best to realize when to throw in the towel and save yourself to fight another day. In our panic we can make a move like putting more money in, mortgaging the house, taking out additional loans etc., which may not be the best solution.
- Is there a reasonable path to survival and success, or are you better off ending the enterprise? It might mean business as usual. It might mean pivoting to a new delivery system or product. It could mean temporarily shutting down operations for a period of time with a plan to reopen at a later date. And yes, this could also entail permanently shutting down your business and liquidating your assets.
- It is tough both emotionally and financially to think about shutting down a business, but it may still be the best course. Know exactly how much you are willing to invest and what your cutoff level is. Sometimes there are several cutoff levels as you manage variable costs based on evaporating revenues.
- How is it affecting your financial, physical, and mental health? Does the financial reward from owning a business outweigh the stress and impact on your health and relationships? Owning a business can bring with it many rewards. It is also fraught with uncertainty and risk. Not everyone is cut out to own and operate their own business. Know your limits.
- It may be best to be transparent with your employees about what the cutoff is and the reasons why. Sometimes business owners run themselves into financial ruin for their employees. If you ask your employees, you may find that they are okay calling it quits earlier if it saves you from financial ruin. It does you no good to try to save your employees and ruin your business.
- Set clear expectations on how far you are willing to go. Make a rational, researched, and proactive decision of what and how much you are willing to lose. Bringing in a peer, business adviser, CPA, and or an attorney to help you evaluate the decision may be prudent. An outside perspective can be invaluable in this decision, particularly those with expertise and experience.