



## **Disruption to Business as We Know It**

Greg Milligan, Bill Patterson and Erik White

COVID-19 is significantly changing the way we conduct our daily lives, and thus how we conduct business. The immediate impacts are being felt in all geographies, across all industries, and are affecting businesses of all sizes – and regardless of those surface differences, the key elements of any successful turnaround remain the same.

To mitigate these challenges, Harney Partners has established a special response team of seasoned, experienced professionals who are helping existing and new clients deal with the evolving impacts of the pandemic. Our professionals are using video conferencing and other technologies to provide the best solutions available while still abiding by the governmental restrictions around social distancing.

### **WHAT SHOULD BUSINESSES BE DOING IN THESE UNCERTAIN TIMES?**

After establishing a plan to protect the health and safety of your employees, several immediate steps should be undertaken. Each activity below should be designed with both a sense of urgency and a plan for honest and transparent communications.

#### **Proper Planning for Cash Preservation**

First and foremost, operate with a plan. This involves creating a detailed and integrated 13-week cash flow model to aggregate the inputs and assumptions from various departments to provide leadership with the best information possible.

The 13-week cash flow model will be the dashboard you use to make decisions and drive the business in the near term. It will be used to test “what if” scenarios as your situation evolves over time. Without this fully-functional tool, you’re flying blind and less likely to achieve success.

Liquidity is critical as you create as much runway as possible to work through the available options. Delay cash payments when possible and protect cash receipts. Draw down on your line of credit before your availability is gone and build the largest war chest of cash possible. Then create an innovative plan to best use that available cash.

#### **Forecast for the Future**

After stabilizing your cash position following the initial shock to the system, an integrated profit and loss model for scenario testing is necessary for longer-term planning. It is currently impossible to know the depth and duration of the COVID-19 impact on the economy. Developing various scenarios can help you understand and estimate the impacts on your business and develop contingency plans around those scenarios.

Anticipate viable adjustments to make as you settle into the “new normal,” post-COVID world. In addition, consider these business scenarios: What does business continuity look like? Is business hibernation a better strategic option to conserve cash and position your business for a return to the market when macroeconomic conditions allow?

#### **Timely and Thoughtful Communications Are Key**

During any time of crisis, clear communication on a predictable schedule is essential to a successful outcome. Your stakeholders deserve and appreciate straightforward and timely information about your business, even if the news isn’t good. Hiding the ball doesn’t advance your cause.

## Disruption to Business as We Know It

Greg Milligan, Bill Patterson and Erik White

- **Employees:** Your employees are the lifeblood of your business and they are also experiencing significant disruption in their lives. Express your appreciation for their continued work and dedication to the business. Be as flexible and innovative as possible to find ways for your employees to accomplish their duties within the business, while also caring for their families, and safely navigating the social distancing requirements of COVID-19. Frequent touchpoints and two-way communication will be worth the time and effort.
- **Customers:** Fully consider the impact you have on your customer's business. Think about your relationship from their perspective to find potential new ways to serve their needs and enhance your value to them as a business partner. Your existing customers are your best source of business, in both good and challenging times.
- **Lenders:** Communicate with your lenders about your current ability to service debt and any required debt compliance. Do you have quarterly debt covenants or weekly/monthly borrowing base calculations? Are you in compliance now? Will you be in compliance a quarter or two from now? Preview your financial forecasts and anticipate any issues with your lenders before you approach a default.

### **Government Assistance Programs**

There are various government assistance programs available or in the planning stages, each of which could be the subject of standalone articles, but the most-popular early program has been the Paycheck Protection Program which was enacted as part of the CARES Act to provide increased loan amounts for eligible small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness where the small business can demonstrate that the loan proceeds were used for payroll and related costs. The program provides \$349 billion for relief during the covered period from February 15, 2020 to June 30, 2020 and administered by the Small Business Administration.

Other currently available options include Section 7(a) SBA loans, Economic Injury Disaster Loans, as well as an increase in the debt limit for Chapter 11 debtor electing the Small Business Reorganization Action of 2019 from \$2,725,625 to \$7,500,000.

More support programs are being considered and guidance for existing programs is constantly being updated, so the [SBA "Coronavirus Relief Options" website](#) is a good resource for the most-current information.

### Funding Options

In addition to traditional SBA funding programs, the CARES Act established several new temporary programs to address the COVID-19 outbreak.



#### Paycheck Protection Program

This loan program provides loan forgiveness for retaining employees by temporarily expanding the traditional SBA 7(a) loan program.



#### EIDL Loan Advance

This loan advance will provide up to \$10,000 of economic relief to businesses that are currently experiencing temporary difficulties.



#### SBA Express Bridge Loans

Enables small businesses who currently have a business relationship with an SBA Express Lender to access up to \$25,000 quickly.



#### SBA Debt Relief

The SBA is providing a financial reprieve to small businesses during the COVID-19 pandemic.



## **Disruption to Business as We Know It**

Greg Milligan, Bill Patterson and Erik White

Companies should be aware of emerging government funding options, but plan for this to be supplemental to the other systemic business strategies described above.

### **Opportunities**

In disruptive times, there are always opportunities. Brainstorm with your team on ways you can find unique opportunities that may not have been available or evident before the current market interruptions. Many changes made to navigate current challenges will remain as best practices long after the current crisis fades away.

### **We're All In This Together**

Plain and simple, everyone is in this together. Everyone impacted by COVID-19 is anxious about their personal safety and fearful what this pandemic will mean for their livelihoods. This common circumstance can create unexpected camaraderie. Look for those instances in your interactions because that will provide an environment for mutual success whenever possible.

---

*Harney Partners is a national, corporate-advisory firm that provides independent, multi-disciplinary solutions for middle-market companies and their stakeholders to overcome financial and operational challenges. For almost 30 years, we have helped clients realign their business for immediate stability and implement innovative, results-oriented strategies for future sustainability and growth. With offices centrally located in Austin, Chicago, Dallas, Houston and Madison, we're able to leverage our combined professional experience to provide custom solutions across the country. We specialize in restructuring and turnaround advisory (both bankruptcy and out-of-court), fiduciary services, transaction advisory, interim management, and forensic/litigation services. Learn more at [harneypartners.com](http://harneypartners.com)*