



Plan for Recovery

Define the opportunities for your business in the changed health, society and business scenario and work out an actionable plan for capturing these opportunities

The lock down has impacted your business in many aspects. Production and sales have slowed or even halted. Demand for your product may have dropped, your inventories may not be needed in the same way, supplies may not reach your premises and some workers and staff may have left. There is a lot of uncertainty how COVID-19 pandemic will unfold and what restrictions and incentives continue to apply or may be necessary in future. It is worth to reflect and plan so that you can focus your efforts on those business activities that are most likely to generate immediate business and cash flow.

Background

In order to slow down the spread of COVID-19 infections and mitigate its impact on health and wellbeing, government initially announced restrictions on travel, meetings and social activities, which were followed by then nation-wide lock down of the country. Business operations came to an abrupt, unplanned and unforeseen stand-still putting a high toll on society and impacting the economy at an unprecedented scale. As the lock-down continued, the resources to run businesses rapidly depleted, in terms of: working capital; skilled work force; inventories and orders. Cash-flow driven Micro, Small and Medium Enterprises (MSMEs) are disproportionately affected. MSMEs though are the recognized engines for employment generation and growth.

Businesses cannot be simply “switched” back on once restrictions are gradually lifted. The United Nations Industrial Development Organization (UNIDO) surveyed MSME clusters during the lockdown, during which MSMEs reported on following challenges for restarting their business.

- ✓ **1.** COVID-19 will remain around and create a high degree of uncertainty in all aspects of the business, in particular, in avoiding further spread of COVID-19 in the workplace or through the movement of people and materials, which may result in further restrictions and potential return to lock-down.
- ✓ **2.** The market is very tight and extremely cash constrained. This is largely due to extreme uncertainties with regard to demand for products of MSMEs and resulting low or non-existing business income, whilst expenses are being incurred for labor, energy, rent and other business inputs.
- ✓ **3.** Manpower is a constraint, with MSMEs indicating that 30 to 70% of their pre-COVID workforce may have migrated back to their hometowns because of



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uncertainties and loss of income due to lock-down. It will be a challenge to convince staff to return (or return in time) or acquire new staff, and the staff changeover is expected to impact negatively on productivity, quality and defect rates, adding further to financial concerns.

- ✓ **4.** Machinery and stocks of raw materials, work-in-progress and final product have degraded. MSMEs do need to undertake outstanding maintenance and service and clean-out wasted stocks, before resuming operations, at a significant cost and with likely write offs to stocks trapped on-site during lock down.

¹*Getting MSMEs back into business: perspectives of Indian manufacturing clusters*, Sunday Guardian, 22 April 2020, <https://www.sundayguardianlive.com/news/getting-msmes-back-business-perspectives-indian-manufacturing-clusters>

5. Ensuring timely supplies of essential inputs without price hikes, is of concern. Particularly those MSMEs that are critically dependent on specialized parts from other states or internationally express concern on their vulnerability to supply shortages.

Approach

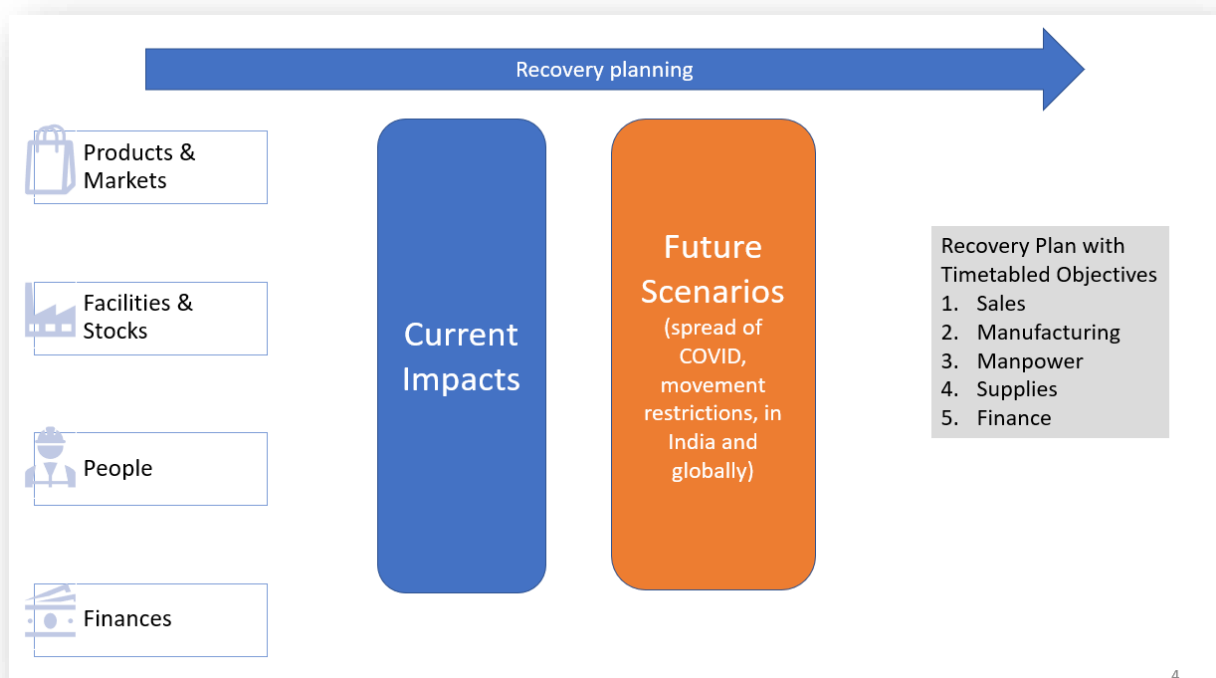
Picking business up just where it was left before the lock-down is not possible due to need to take measures to prevent the spread of COVID-19 at work. It would also not make good business sense to try restart all business operations and activities at once, given the high uncertainties. Consider to:

- ✓ Start with those business activities that most likely have remained viable – these would generally be the products and services that your buyer would consider essential or at least needed, even under worsened economic scenario;
- ✓ Postpone and, ultimately, maybe even stop those business activities that are likely to have become unviable, given, for example, the inability to meet social distancing requirements, changes in consumer demand and behavior, economic downturn etc.
- ✓ Try new business activities that employ your core capabilities to provide a good or service that has become in higher demand – a case in point are garment makers that have started stitching face masks instead of garments, or car and bicycle parts manufactures that have developed alternative ventilators for care of COVID-19 patients

Plan your return to through review of the current impacts and likely future scenarios on your main business activities and critical assets. The following schematic shows

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the main elements. You would develop a [Recovery Plan](#) with timetabled objectives covering key business areas, such as: sales; manufacturing; manpower; supply chain; and financing. You are starting from your most critical business assets, particularly: your products and the markets in which you sell these; the facilities (factory, warehouse, distribution fleet, etc.) and stocks (supplies, finished products, work in progress) you have; the skills and expertise of the workforce at your disposal; and the available financing to run the business. For each you try to find out what the COVID-19 pandemic and the nation-wide lock down have already done (current impacts) and how this could possibly evolve over time (future scenarios), assuming both better and worse trends in spread of COVID-19 and necessity of movement restrictions. The information obtained will help you prioritize activities for restart, recovery and revival of your business.



Products and Markets

Start with your products, your main buyers and final users of your products.

- ✓ *How has the crisis impacted your buyers' interest and market demand for your products and services?* Step in the shoes of your main buyers and potentially even those of their final consumers: how important is your product to them? You may take the ENDA test – Essential, Needed, Desirable or Avoidable. From the customer's perspective, is your product Essential, meaning they cannot go without it? Or is it Needed, that it is necessary for undertaking certain activities?



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Or only Desirable, a nice to have, or even Avoidable, not of interest at all. Has this ranking already changed since the start of lock-down, or may it change further under different future scenarios? Face masks, for example, for use by general public have moved up this ENDA ladder from being Desirable to at least Needed. As another example, passenger vehicles may have moved down from Desirable to Avoidable for some consumers (the reduced disposable income for many results in abandoning luxury purchases) and may at the same time have moved up from Avoidable to Needed for other consumers (those relying on public transport and car booking services and now switching to personal mobility for fear of virus transmission in public transport).

- ✓ *How much value does each customer bring to your business?* You should preferably focus on your key customers, both from perspective of volume of sales or turnover as well as from perspective of profitability or margin on sales. Can historic sales volumes be recovered in the near or mid-term future?
- ✓ *How trustworthy are your customers?* As it is already a highly volatile and uncertain time, you would be best off to work with your most trusted customers. Does the customer have a good payment record? What is your view on the business prospects of your customer – will he be able to pull through the crisis?

There are no right or wrong answers, yet exploring these questions will give you a sense of priorities for restarting and rebuilding your business. You can use or adjust below table to sum up your initial appraisal. The accompanying [checklist](#) contains a few quick win suggestions and further details can be found in the special module on [customers](#).

Your Main Products	Value to End Users (ENDA)			Value to Your Business		Worth of Your Customer	
	Before	Now	Future	Turnover	Profitability	Payments	Prospects

E = Essential, N = Needed, D = Desirable and A = Avoidable

Facilities and Stocks

Next, turn attention to facilities and stocks. *What can you most easily do when you restart your business?*

To operate, you need to make sure equipment is in good working order. While standing idle during the lock down period, dust and rust may have appeared, and leaks of hydraulic or lubrication oil may have shown up. Moreover, you would need to take precautionary measures to prevent further transmission of COVID-19 in the



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workplace. Above all, this requires that all people should be able to maintain sufficient social distance of 5-6 feet during all times when in your business. Moreover, you should prevent potentially infected people to enter your premises. You may consider using or adjusting below table to appraise your facilities.

Business/Factory Area	Are equipment and accessories operational and duly maintained?		Are workplaces conducive to maintain social distance?		Are access of goods and people strictly controlled?	
	Status	Actions required	Status	Actions required	Status	Actions required

The status of facilities is closely linked to the status of materials and stocks in your facility. What do you have on site, in what quantity and what is the monetary value? This applies to incoming goods, work in progress and finished goods. Did the lock down result in deterioration of the stocks? For example, chemicals may have reached shelf life, all stocks have accumulated dust and dirt, rodents and other pests may have spoiled some stocks, and metal parts may have started rusting. If there has been loss, in what form and can stocks still be used for the same or different purpose?

The following table can be used to take stock and prioritize which inventories should be used up first and which can no longer be used for their original purpose. A few quick wins are included in the [accompanying checklist](#) and the module [Ready the Workplace](#) details further options to consider to get your facilities and stocks ready for the restart of your business.

Stocks on Site	Quantity on site	Monetary value	Present condition
Incoming Goods			
Work in Progress			



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Finished Products			
Scrap and Defects			

People

You require people to run your business. Hence do take stock of how your pre-lockdown staff are doing? Figure out how the lock down has affected them? Are they and their families healthy and have they remained in vicinity of your business or moved? Will they be able to return to work for you? Can you do something for them to facilitate their return?

Compare your potentially available workforce across the different categories with your expected requirements. Which positions are immediately essential, even before restart of operation? Which ones are needed to restart and what is the desired level of staffing once business has picked up?

You may consider using below format as a reference to appraise the workforce situation. A few early measures are included in the accompanying [checklist](#) and further detailed measures to rebuild a productive workforce can be found in the topical module on [Workforce](#).

Staff/workforce categories(production, technical, sales, administration etc.)	Pre COVID lock-down		Planning		
	Number	Currently available	Essential	Needed	Desired

Finances

Last but not least, take stock of your financial position. Undoubtedly, the lock down has eaten into your company's finances as even with significantly declined business



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income, some fixed expenses would have continued, in terms of salaries, rent, taxes, utilities, etc. Getting your business back on track requires to take control again of cash flows, by decreasing or slowing down expenses, by increasing or speeding up incomes, attracting additional working capital and/or modifying business model. Before taking decisions, make sure to clarify your current financial position:

- ✓ Who are your creditors and what amounts are payable by your company?
- ✓ Who are your debtors and what amounts are due to your company?
- ✓ How much cash and other working capital do you have available?
- ✓ What options may be available to benefit from the government’s stimulus measures?

A few quick options are included in the accompanying [checklist](#) and further detailed measures to restore a healthy financial basis for your company can be found in the topical module on [Finances](#).

Back to Business Recovery Plan

Next compare and integrate what you have found out in terms of products and markets, facilities and stocks, people and finances. Bring it together to formulate specific recovery strategies for your business. Start with what is most doable and likely to generate immediate business and cash-flows. Postpone what does not seem viable on the short term, to stop the bleeding of scarce finances. Identify where potential new business opportunities have arisen.

With these recovery strategies, make some realistic projections for recovery targets in your key business areas, such as sales, manufacturing, workforce and finance. Set specific Key Performance Indicators (KPIs) and a timetable for recovery, during first weeks and months. Note all down in a simple format so you can communicate with your teams and revisit to review and adjust.

Recovery strategies (specific to products, operations, customers, etc.)	Recovery Targets		Timetabled targets							
	Business Area	KPI	W1	W2	W3	W4	M2	M3	M4	M5
	1. Sales									
	2. Production									
	3. Supplies									
	4. Manpower									
	5. Finances									

Disclaimer: Information intended for general advice