Back to the ‘*new norms*’ reality.

How can we cope?

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- No business hand shakes
- Sanitising hands
- Keeping our workstations clean
- Keeping physical distance
- Teleworking
- Wearing masks or face visors
- Virtual meetings
- Business travel restrictions and limitations
- *And much more!*

But this is not all for the surviving businesses! The global economy is on its knees and needs to recover as soon as possible.

Many European countries are lifting corona virus containment measures and gradually returning back to the *‘new norms’* in doing business, all working and focusing on the economic recovery. Countries are also opening their borders, finding travel corridors in compliance with the scientific recommendations of their respective health authorities.

The European Commission also created a high level expert group (EAAC – European Alliance Against Coronavirus) consisting of over 500 experts, of multi-level competences and knowledge, offering cross-sectoral contributions from all over Europe and discussing a wide range of COVID-related topics.

The current main focus of EAAC is the identification of disrupted value and supply chains in Europe's economy in order to recommend solutions and suggest possible actions to the European Commission for the quick recovery of the EU economy. An economic rebound is surely needed!

But what does this mean and entail for businesses, especially the SMEs which are more vulnerable and are struggling to survive and recover from this deep economic crisis, with some of them experiencing complete shutdown of their business for a number of weeks? Are these businesses ready to adapt to the new realities in their specific industries? Are these businesses liquid enough to survive? Do they have the necessary resources to recover? What help do they require to combat such a deep crisis? What strategies should they deploy?

Critical strategic planning, measures and actions need to be addressed and implemented accordingly at this crucial turning point of recovery by businesses:

Feasible Recovery Evaluation

Businesses that were adequately resourced and liquid before the unprecedented COVID-19 crisis struck the world economy are now in a better position to restructure, adapt, endure this crisis and should recover relatively easier and quicker.

However, some businesses that were undercapitalised, highly geared or lacked sound cash flow may by now have lost their competitiveness as a result of high operational cost. These businesses may find it difficult to access funds to remedy this financial weakness and will be constrained to stop trading.

Hard-hit economic sectors and industries, such as tourism and HORECA, make it more challenging for the business operators to re-open while still observing precautionary measures. Not to mention the lack of confidence that exist in consumers to buy these services. In fact, businesses that operate in these industries assert that due to the number of measures and limitations still in place, they are finding it difficult to cope and to make it economically viable and feasible unless more restrictions and limitations will be lifted.

Core business activities

Businesses should also evaluate their core business activities and products. Whether these core products and services are still considered as necessary and, thus, demanded by customers, need to be well defined and established by businesses providing them.

Innovative and new marketing strategies may be deployed during this time of recovery, which may well mean re-branding, repositioning and differentiating of the products and services in order to make them attractive to customers again or even to gain competitive advantage in the recovering and ever changing market/s.

Product and service improvement together with the development of new ones may also be implemented to meet the changing demands of the market. This would help to rebuilt confidence in customers, thus, bringing immediate results to the business and at the same time contribute towards longer-term growth which is necessary to rebuild the economy. No business should be afraid to change and if need be, diversify!

Divestment

Closing off part of the business or selling part of the business both require thorough evaluation and planning to identify which section/s of the business is/are not performing to the full satisfaction of the Company Directors. This may well happen due to high operational costs or the current drastic changing needs of the market.

Nevertheless, before divesting, businesses must evaluate and clearly determine the current market position and any opportunities to sustain competitive advantage, and the likely future potential for growth and profitability with and without the divestment strategic decision going forward.

Adequate Financial Resources

Adequate capital and healthy cash flow are the two main ingredients for the survival of a business organisation. This crisis has shown that cash flow is indeed the lifeblood of a business and it is not just a cliché merely used by the people working in the field of credit management.

Cash flow should be healthy at all times and this requires good credit management practices being employed. Nobody should expect to have healthy cash flow if long and extended credit terms are granted for the sake of selling without taking into consideration the profitability of the sale. It is also imperative to analyse the credit worthiness of customers prior to granting and extending credit.

Moreover, it is opportune for businesses to consider the overheads in relation to the direct operational costs. This may well require revising the high costs relating to rent, salaries, bonuses and fringe benefits frequently offered to directors and the top management team.

Reducing the financial burden of a business by restructuring its debt may also be a critical exercise during this recovery period. Businesses should explore the various sources of financing available in order to reduce the pressure to pay interest, such as converting a loan capital into equity whenever possible.

An effective costing system and better cash flow management are indeed important more than ever to secure profit and long-term growth.

Skills and Competences

No strategy can be implemented effectively and successfully without having the right mix of skills and competences. This does not only refer to the skills and competences of individuals employed by a business but also the abilities of employees and the top management team to manage and adapt to market changes and also to work as one team, having common corporate goals.

From my experience, I can deliberately say that some, if not the majority, of businesses lack to acknowledge the importance of the role of the credit practitioner/s. Even worse, some businesses consider the credit function as the necessary evil department without giving it its due value. In other business organisations, conflicts between the credit function and other departments are evident with the directors and top management team lack to support the people working in the credit department.

Furthermore, I still experience businesses employing people to manage their Accounts Receivable with no related qualifications or experience in the field of managing credit and cash flow and the main responsibility assigned to them would very often be that of making collection calls and reaching cash collection targets. But proper credit management is far from cash collection and crunching numbers! An effective credit function should be a people’s function and an efficient credit practitioner should possess high interpersonal skills to be able to negotiate profitable credit terms with customers.

One word of advice to businesses in such an economic turmoil is that Accounts Receivable or Debtors Account, as it is commonly referred to, represent 40% of the total assets of a company on average, and this is a liquid asset – money one step away from cash in bank – this asset should be well protected by employing the right people for the job.

Conclusion

The Covid-19 economic crisis may have had a negative impact on a number of industries and businesses. There will be casualties and the unemployment figures are already increasing alarmingly. However, there are a lot to learn from this pandemic, which can be easily summarised and remembered: ***"Turnover is Vanity; Profit is Sanity and Cash is King"*** in doing business successfully!