

BACK TO BUSINESS FINANCIAL BASICS

The downturn in the small business economy due to the COVID 19 breakout is tightening the purse strings on small businesses across the United States. This guide will help you build a strong foundation to weather the storm!



10 STEPS TO SMALL BUSINESS FINANCIAL WELLNESS:

- 1 CALL YOUR CREDITORS
- 2 CONTACT YOUR ACCOUNTANT AND ATTORNEY
- 3 CREATE EMPLOYEE PLAN
- 4 RECONCILE & REVIEW
- 5 DEVELOP A REOPEN PLAN
- 6 REOPENING BALANCE SHEET
- 7 P&L - IDEAL VS. REAL
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DON'T WORK AT YOUR BUSINESS WORK ON YOUR BUSINESS!

*Compiled by the Mahoning Valley Economic Development
COVID-19 Task Force*

As the COVID 19 crisis continues to spread, small businesses across the country are pivoting for the future. The crisis provides a priceless opportunity for business owners to plan, process, and react to changes in the economy and new opportunities that usually pass by with the craze of daily operations. Going back to basics to lay a better financial foundation is the best way to get your business back on the track to financial health. We put together this guide, 10 Steps to Small Business Financial Wellness, for small businesses in the Valley to work through as they prepare to reopen and thrive as stay-at-home orders begin to lift. The following pages provide detailed explanations of each step, and guidance for businesses and local resources for more information.

1 CALL YOUR CREDITORS

Your business is not alone in this crisis, and creditors (banks, landlords, utility companies, credit cards, etc.) understand that your business may be unable to stay current on debts until the crisis ends. Being proactive in contacting your creditors and providing them with transparent information (updated company financials, earnings, and lease agreements) is critical to accessing the best deferrals possible.

2 CONTACT YOUR ACCOUNTANT AND ATTORNEY

The professionals you know and trust are there to help you through this time of crisis, and have the expertise to help you plan for the months and years ahead. If you're not comfortable taking on debt to survive the crisis, a call to your accountant is vital to knowing where your business stands financially and strategies for survival. If you're unsure of your employee contracts, or what the legal effects of laying off your employees might be, your attorney has the ability to provide expert counsel. NOW is the time to communicate with your team of professionals so that when crisis strikes, you can strike back!

3 CREATE EMPLOYEE PLAN

If your business has a large staff, it is ESSENTIAL that you have a plan in place to handle layoffs and furloughs due to any incidence, let alone a pandemic. A few key items to address in you employee plan are:

- Do we layoff or furlough?
- Can we offer PTO, Healthcare, or other employee benefits?
- How can we coordinate with unemployment for a smoother transition?
- When do we rehire?
- Are there portions of the business where new hiring opportunities exist?
- Is this the time to reassess company structure?

There are many local resources available to assist you with this type of planning. Get in contact with Ohio Means Jobs and the Ohio Department of Jobs and Family Services for more information, as well as the Workforce Development Board (wdbinc.org).

4 RECONCILE & REVIEW

You've got the time! Catch up on reconciling your books, identify reports and metrics that can assist you in managing your business more efficiently and effectively. This can be as simple as looking over your performance for the last 3 months, or looking over your executive reports for the last three years! Knowing the direction your company is going is 10% what you think you can do, and 90% what you have done.

Metrics and Key Performance Indicators (KPIs) are a great way to keep tabs and analyze your financial and efficiency reports. Some examples include; keeping track of inventory turnover and days accounts receivable for retailers, COGS % and Cost per employee (CPE) for food service businesses. Your accountant or financial advisor can assist you in developing the correct metrics, and establishing a habit to get your business on track and moving full steam ahead.

5 DEVELOP A REOPEN PLAN

One day, this will all be over! What will that first day back look like? Will your business be able to immediately return to business as usual, or will cash be tight for the first week, month, or year? Understanding your cash flow conversion, or how quickly you are paid after completing a job and the impact that it has on your expenses, is key to a smooth reopen. Here are a few questions that need to be answered by your reopening plan:

- When and how many employees will I need to hire or rehire?
- How will I secure enough work to remain profitable?
- How can I be more diversified (Products, Services, or People?) to reduce my risk of future impact?
- What infrastructure do I need to be more flexible in response to changes in demand?
- Is the company goal to survive, or thrive?
- Where does the company need to be in 1 month, 1 year, and in 10 years?
 - How does the month of reopening get us closer to these goals?

6 REOPENING BALANCE SHEET

The balance sheet is simply a tool used by business owners and lenders to look at the following equation:

$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

It is CRUCIAL to know what your balance sheet and other financial reports look like before this crisis, during, and after to have a vision of your company's financial future. It is imperative to take the time to work with an accountant or your local Small Business Development Center (SBDC) to better understand your balance sheet, and the things you can do to provide a better financial foundation for your business. Before you reopen, create an opening day balance sheet (template available online through SCORE) for how you intend your company to perform. Assess what areas need to improve within the year to accomplish your business's goals.

Are there decisions you can make now to better influence your financial foundation throughout the remaining year?

Is your business weak in one area that can be influenced by small changes?

7 P&L - IDEAL VS. REAL

Businesses frequently use a Profit and Loss statement (P&L) across industries to manage profitability, analyze efficiency, and plan for the future. Take 30 minutes to study your current P&L. Next to Gross Profit, Operating Income, and Net Income, mark down what you would like those to reach by the end of the year. Next, work down the list of expenses and analyze what they are comprised of. Could a small cut to weekend hours and an increase to janitorial expenses increase customer satisfaction and drive top-line sales? Could eliminating a product line and investing the time spent into a top performer drive company growth? Think about the effect that a small dollar increase or decrease will have throughout your Profit and Loss Statement, and draft a new "ideal" version. Reference this version every week or month as you review your "real" P&L.

8 THE 3 B'S - BENCHMARK, BUDGET, BALANCE

Financial and Efficiency reports are rather useless without benchmarking. Having a vision for your company is great, but means nothing without a way to measure the successes and shortfalls. Setting up benchmarks for your business's KPIs, sales, and budgeting expense will enable you to run a more efficient and flexible company. Balancing your focus between growing sales and income and lessening expenses is key to establishing a comprehensive strategy for growing your company.

- **BENCHMARK** - Sales and KPIs to analyze the month to month growth, decline, and goals of your business.
- **BUDGET** - Expenses to minimize petty cash costs and unforeseen expenses, and develop a pool of cash reserves to draw on in the case of increased problems in the economy.
- **BALANCE** - You focus between benchmarking and budgeting sales and expenses. Both are equally important, and a balanced approach backed by historical data will have greater impact.

9 REVIEW STRATEGIC PLAN

Before you started running your company, you set up a business plan or had a strategic plan in mind to attract customers, satisfy customers, and generate new business. Too often we leave those plans in the bottom of a file folder and get caught up in the daily operations of running a business. There is no more important time to reach into the file and update your strategic plan.

- What will you do differently to attract new customers?
- What are some potential ways to diversify revenue?
- What markets are you competing in that have become over saturated with competition?
- What markets have new opportunities for your business to grow into?
- Are your customers satisfied? Is there a way to generate better follow up sales?

Introspectively, this is the time to decide if there are structural changes that need to be made in the business. Is there a lack of productivity that can be isolated or removed from the business? There is no better time to phase that portion of the business out and focus on the essential pieces of your business that promote future growth.

10 REPEAT

The COVID - 19 outbreak has provided a priceless opportunity for you to spend time assessing your business's financial and operational strengths and weaknesses. The outbreak may end soon, and life will return to normal. If you've gone through this worksheet, you'll be equipped with the necessary tools to not only survive, but thrive in the new economic landscape. While that may be true, every day brings new challenges and issues to local small businesses. Performing this kind of in-depth and introspective analysis should be an essential part of your annual business activity. The good news is that you're not alone! Plan a day or a week with your management team, and dig into your business. Spend time where it counts, ON your business, not IN your business!



LOOKING FOR ASSISTANCE?

LOCAL COVID 19 BUSINESS RESOURCES

FINANCIAL SUPPORT | MAHONING VALLEY ECONOMIC DEVELOPMENT CORPORATION

330.759.3668 or visit mvedc.com

The Mahoning Valley Economic Development Corporation is a partnership of public and private interests focused on the revitalization and economic diversification of the Mahoning Valley region in Northeastern Ohio. The mission of MVEDC is to help businesses grow, while creating and retaining jobs.

BUSINESS DEVELOPMENT AND STRATEGY | OHIO SMALL BUSINESS DEVELOPMENT CENTER (SBDC) AND EXPORT ASSISTANCE NETWORK (EAN) AT YSU

330.941.2140 - ohiosbdc@ysu.edu

The Ohio Small Business Development Center is dedicated to the support and development of area businesses across the nation and globe. The office is centered out of The Williamson College of Business Administration at Youngstown State University and offers expert consultation in financial analysis, market research, global and domestic strategy, and business solutions.

BUSINESS SUPPORT | YOUNGSTOWN WARREN REGIONAL CHAMBER OF COMMERCE

330.744.2131 or visit regionalchamber.com

The Youngstown Warren Regional Chamber of Commerce is a private, non-profit organization that provides leadership and business services to promote the growth of member companies. Support includes a range of benefits, from discounts on healthcare and workers' compensation to networking opportunities at more than 100 events annually. The Regional Chamber also has resources and guidance available online for companies throughout the Mahoning Valley.



Small Business
Development Centers
Export Assistance Network



Mahoning Valley Economic
Development Corporation

