

Crisis Leadership – A Toolkit for Entrepreneurs – by Thomas Martin

COVID-19 edition – 30.3.2020

(Construct based on Russell Reynolds Board Leadership Paper March 2020)

This is a new world for everyone, so we really are all in this together. Covid - 19 is the ultimate leveller as it's not merely the tragedy of the loss of life - ALL businesses are exposed to the crisis at the very same time.

So NOW is the time to decide what YOU should be doing and stop doing anything else.

If you can absorb the next 4 points, then read on. If you cannot, then don't waste your time pretending to be wanting to do something about the current nightmare.

1. Talk about what you are doing and why
2. Think about what this means for your business next week, next month and next year
3. It won't be over just because someone says it is, or because you think it might be
4. The world, our economy and your business will never be the same again - not just in our lifetimes, but never.

Now you've got your head around that little lot, you are ready:

Communication with your people and your stakeholders

Make sure it is two way, and you give your team a 'good listening to' as you discuss the next steps. Then work out how often you are going to update everybody and stick to it. People will have expectations, and they need constancy in a rapidly changing world. If the rules have to change, then change them, but don't forget to tell your people.

There will be some decent ideas and some distractions. Learn to tell the difference quickly and be direct if you are discarding a well-intentioned suggestion. How silly to waste energy and momentum for fear of offending: everyone needs to know where they stand, so make it black and white, and cut out the grey.

Don't try and do every job yourself, and let your leaders show you what they are capable of. Acknowledge that the tensions are very real and give as much space as you can or even dare. You might not even have the luxury of a choice in the matter as you will no doubt be busy yourself.

Don't kid yourself it will all be over soon, and that everything will be OK in the end.

As a successful Entrepreneur in the Old World, you need to accept that the rules have changed. Therefore take your worst case predictions and recognise that these are based on what you know from the past.

Now try and overlay the new rules as to what else could happen in terms of type of recovery, and also length of recovery. (One of my NED's at Arco has reminded me this morning that BP is still dealing with aspects of Deepwater Horizon some 10 years later... and you could be forgiven for thinking that this was all sorted out one way or another.) Recovery from this particular crisis is going to have different forms, and different timescales ,so plan for that right now.

So your world, and your business won't be looking the same, so be clear on what has gone, what has yet to go (but must) and what hasn't even started yet. Think about changes in your customer base, your new targets, and even your supply chains. How will all of these 'answers' shape your business?

What does all of the above mean for your particular sector?

How could you position your company in the New World?

Can you do this faster and better than the competition?

Can you keep enough of your talent on the payroll to re-write the rules?

Remember that just because you come out of the crisis at some point, it doesn't mean that your customers' needs follow the exact same schedule. You must run your own race when others claim 'it's over' - you and your team should look for the light at the end of the tunnel, AND make sure that the tunnel itself isn't getting any longer.

So if that is what you need to do, who do you need to be?

Right now you are being judged every minute of every day by your staff, customers and suppliers: they are all watching to see how you, as a leader, behaves. You're tired, stressed and even frightened but somehow you have got to remember that you are being looked to for calmness, courage and compassion. YOU set the tone and if you get it right, others WILL follow. Confidence in a crisis is invaluable so keep it and treasure it.

Just as you are being tested in new ways, test your team and get ready to be surprised. You will have no issues remembering who stepped up, and think about how you can elicit this level of increased performance from others. Why did it take a crisis for some to show you what they were really capable of? How much of this gap was caused by you not giving people a chance, or not even seeing them for the potential they really can give? AND, when you come out of the tunnel, what does this say about how your company will operate in the future? It WILL NEVER be the same again.

And the best is left until last.

Catch your team doing some amazing things for you and your business. Having "caught them" call it out. Thank them and celebrate alongside them. It doesn't need to be a Grandiose gesture but just a note, a comment, an acknowledgement that you've noticed how much they care. Guess what - this rubs off and every single syllable will be magnified in some way as other colleagues, suppliers and customers will also get to hear. We've all had enough Bad News and Good News travels fast in a crisis.

Keep Healthy, keep focussed and please visit me in Jail if the authors of the numerous works I've referenced for this first version of the Survival Toolkit, seek redress.

So what do you need to DO

Protecting Cash: As per Andrew Horncastle's March 2020 blog on the FEO website, this is THE ONLY schedule that matters right now.

You need to

- Cut Costs
- Maintain Liquidity
- Talk to your lenders

ACTION - Prepare a rolling cash flow for the next 3 months, and then update it every week as your understanding, experiences and expectations change.

This needs to articulate all cash coming in, going out and what your biggest requirements are. That gives you timings that can be phased or flexed. The schedule will certainly drive debate, and decisions.

Questions for you:

What is your planned cash inflow cycle from your customer base?

Which payment terms can you extend (HMRC and VAT)?

What grants, assistance can you get and WHEN could it come in?

Can you divide your Supply Chain into Critical and Non Critical?

How will you treat them differently?

Speak with your lenders - Don't let them make their version of the truth up for your business

CASH FLOW ADVICE – PROTECT YOUR BANK BALANCE

1. Prepare a monthly/weekly cash flow forecast NOW to ascertain when you will run out of cash!
2. Extend that cash timeline by reducing your wage bill – the steps to follow.
3. Lay off the casuals and self-employed first then...
4. For the staff who you have no work, utilise the Coronavirus Job Retention Scheme mentioned above for 80%.
5. If you are needing to make redundancies there are rules for larger workforces, otherwise, it makes sense to...
6. First, look at the employees with less than 2 year's service and select them first.
7. Next, make the least costly redundant first – subject to them being critical to survival.
8. Stop all non-essential purchases.
9. Operational issues – plan for continuity of supply!
10. Sales and marketing – brainstorm ideas to sell alternatives e.g. taxi firm to transport parcels etc.

(For negotiating with Funding Circle Loans; call 020 3308 9190 or email customersolutions@fundingcircle.com)

READY RECKONER RE GOVERNMENT FINANCIAL SUPPORT

1. Coronavirus Job Retention Scheme - HMRC will reimburse 80% of employee's wage cost, up to a maximum of £2,500 per month for workers who do not have any work and cannot work from home (known as 'furloughed workers' see further down). This service is not yet set up by HMRC and we await the detail from Government shortly.
2. PAYE, VAT, Corp tax etc – Can you stop the DD for your VAT and ring HMRC on 0800 015 9559 now to freeze PAYE and other tax payments via 'Time to Pay' agreement.
3. Bank Business Interruption Loan – Call the bank now and ask – get in front of the queue!! See note further down.
4. Business Rates – stop your DD and await a letter from your local council or it may be with your April bill. If they miss off the grant and payment holiday get in touch with them.
 - Hospitality & leisure businesses in England
 - 12-month business rates holiday for retail,
 - £25,000 grant with property rateable value between £15,000 and £51,000
 - All small businesses
 - grant funding of £10,000 if occupy premises even if no rates paid.
5. SSP – know the rules – 2 weeks-worth recoverable separately (not against your monthly PAYE/NIC payment) again we await details of the new system HMRC are setting up to handle claims.
6. Self-employed people – You are able to claim Universal Credit, providing you meet the usual eligibility criteria.

EMPLOYMENT LAW ADVICE

Take advantage of the FREE to join portal which gives you access to a daily webinar and an online Toolkit, which contains policy documents, briefing notes, letters and daily updates. All of which could prove a lifeline for your business during the coming weeks. To subscribe to this free resource follow this link - <https://www.eledeckshr-community.com/community-opt-in>

CV19 JOB RETENTION SCHEME - FURLOUGHED WORKERS – WHAT WE KNOW SO FAR...

The Coronavirus Job Retention Scheme to run for at least 3 months from 1 March 2020 but will extend if necessary.

Eligibility – All UK businesses are eligible. How to access – details not yet available - you will need to...

- Designate affected employees as 'furloughed workers,' and notify your employees of this change - changing the status of employees remains subject to existing employment law and, depending on the employment contract, may be subject to negotiation.
- Submit information to HMRC about the employees that have been furloughed and their earnings through a new online portal (HMRC will set out further details on the information required).
- HMRC will reimburse 80% of furloughed workers wage costs, up to a cap of £2,500 per month. HMRC are working urgently to set up a system for reimbursement. Existing systems are not set up to facilitate payments to employers.

You will need to discuss classifying each worker as a furloughed worker. This will mean that your workers are kept on your payroll, rather than being laid off.

To qualify for this scheme, your workers should not undertake work while they are furloughed. This will allow you to claim a grant of up to 80% of their wage for all employment costs, up to a cap of £2,500 per month.

Your workers will remain employed while furloughed. You could choose to fund the differences between this payment and workers salary, but you do not have to.

If a worker's salary is reduced as a result of these changes, they may be eligible for support through the welfare system, including Universal Credit.

CORONAVIRUS BUSINESS INTERRUPTION LOAN SCHEME

This scheme commences from Monday 23rd March 2020 and an eligible business will be able to raise a loan from their bank at 0% interest for the first 12 months. You should contact your bank directly to discuss funding. Please bear in mind that the government liaises with banks and raises finance for businesses on a daily basis so let us know if you need any help such as cashflow forecasts.

Prior to the conversation with your bank, you need to have a think about the following questions they will ask:

- How has Corona 19 affected your business?
- How much money has your business lost and will lose? You should have a list of cancellations/postponements of contracts if you sell B2B. If you sell B2C, you will need daily sales for the last 3 months.
- How have you started to reduce the business' costs?
- How much money do you wish to raise?

THE APPRENTICESHIP PROGRAMME RESPONSE TO COVID-19

In this difficult time, employers and training providers are doing their best for their workforce. The government wants to support that by ensuring that wherever possible apprentices can continue and complete their apprenticeship, despite any break they have to take as a result of COVID-19. Investing in the support of high quality apprenticeships is a vital part of supporting the economic recovery that will follow. The government is committed to working with training providers, end-point assessment organisations and external quality assurance organisations to mitigate the impacts of this disruption and maintain the integrity of apprenticeships.

Flexibilities will make it easier for apprentices to continue as an apprentice by enabling them to take a break from their learning or do their learning or assessment in a different way to that originally planned. As well as ensuring that employers will still have the skills they need for the future, it means that they can temporarily redeploy apprentices without ending their apprenticeship.

Please find further information [here](#).

SUPPORT FOR BUSINESSES THROUGH THE CORONAVIRUS JOB RETENTION SCHEME

Under the Coronavirus Job Retention Scheme, all UK employers with a PAYE scheme will be able to access support to continue paying part of their employees' salary for those that would otherwise have been laid off during this crisis.

This applies to employees who have been asked to stop working, but who are being kept on the pay roll, otherwise known as 'furloughed workers'. HMRC will reimburse 80% of their wages, up to £2,500 per month. This is to safeguard workers from being made redundant.

The Coronavirus Job Retention Scheme will cover the cost of wages backdated to 1 March and is initially open for 3 months, but will be extended if necessary.

[Claim for wage costs through the Coronavirus Job Retention Scheme.](#)

If your business needs short term cash flow support, you may be eligible for a [Coronavirus Business Interruption Loan](#).

Websites to refer to...

Support for businesses:

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses>

Tax helpline to support businesses who are concerned about paying their taxes

<https://www.gov.uk/government/news/tax-helpline-to-support-businesses-affected-by-coronavirus-covid-19>

Finally, to all entrepreneurs, remember that FEO has the huge resource of all of our collective experiences. USE IT. If you feel another member can help you, call them. TALK. Your problem shared could be your problem halved - We're in this together.

To write this Toolkit, I've used my experiences and a hefty dose of content from the Adam Marlow Business Survival Cheat Sheet, Clayton and McCervey's paper on protecting cash and a Russell Reynolds document on Crisis Management.

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Chairman

For Entrepreneurs Only

Quoted sources within this Toolkit are current as at 30/3/2020.