

IS YOUR BUSINESS SURVIVING, SUSTAINING OR SCALING?

The unprecedented economic conditions resulting from the “new normal” of COVID-19 have posed difficult challenges for nearly every business. Some businesses were shuttered by the stay-at-home order and are hanging on by a thread. Others are facing critical supply chain issues due to a shortage of labor or materials.

Crises have a knack for exposing existing problems in businesses. Before the work can begin on fixing those problems, you first need to evaluate where your business currently falls and what you can do to progress through the stages. The ultimate goal for business owners is to obtain more customers, drive more revenue, and have more freedom.

SURVIVING



Businesses in this stage are barely hanging on and are at serious risk of going under. Many businesses in survival mode are in industries that have been hit especially hard by the pandemic (i.e. dining, events management, entertainment), or were in a difficult position pre-COVID. Some of these businesses may have received SBA Paycheck Protection Program (PPP) or Economic Injury Disaster Loans (EIDL) back in April or May but are now really struggling to stay afloat.

There are three options:

- Pivot.** Businesses in survival mode are in desperate need of revenue. Consider pivoting your business in order to start generating survival revenue to replace some of what was lost. In most cases, this will be a short-term pivot to sustain your business until conditions improve.
- Reinvent.** Need a more dramatic change than a pivot? Reevaluate your business model to determine if there is an opportunity for a larger, more long-term change.
- Exit strategy.** Your business is past the point of no return. You need to determine the best strategy to get out (i.e. liquidation, sale).

The goal is validation. Businesses should strive to validate a new income stream that will keep them afloat.

For example, we have an events management client that plans large events, such as weddings and corporate meetings. Once the pandemic hit, the business lost 95 percent of its planned 2020 revenue. To stay afloat, they pivoted to micro-wedding packages, as well as hosting events across the state line in South Carolina where they can host more people. By utilizing these strategies, the company has stabilized and is now in the “sustaining” category.

IS YOUR SMALL BUSINESS ...

Surviving?

- Pivot your business to generate survival income.
- Reinvent your business model.
- Plan your exit strategy.

Sustaining?

- Reduce your business to the essentials.
- Communicate and negotiate with key stakeholders.
- Evolve your business by identifying new opportunities.

Scaling?

- Develop a series of systems and processes and delegate tasks.
- Build out your dream team.
- Determine the sweet spot of revenue generation.

SUSTAINING



Businesses in this stage were somewhat able to recover after the initial financial hit of March and April but may not be able to sustain their current business model for much longer. While not in immediate danger of going bankrupt, these businesses are still not in great financial shape.

Prioritize these three strategies:

- Reduce to the essentials.** Minimize risk and reduce any exposure that your business may have. Trim the fat from your operational expenses. Reduce your business down to where it's almost ridiculous how few things you're focused on. Then, focus on doing those few things really, really well.
- Communicate and negotiate.** A lot of times, people want to crawl into a hole and hide when things get bad. However, you should ignore those instincts and do the opposite. You should focus on regular and open communication with customers, vendors, lenders, and all other key stakeholders. By doing this, you will be in a much better place to negotiate pricing and payment terms, if necessary.
- Evolve by identifying new opportunities.** After all current revenue streams have been maximized and optimized, you should begin to explore new opportunities. Evolve your business model by incorporating these new revenue streams. There are likely many new revenue stream opportunities available, so be sure to focus on those that are projected to have a strong ROI.

The goal is consistency. Businesses should focus on being calculated and consistent in order to better plan and budget.

We have a client that operates several mattress stores in the Charlotte area. Once COVID-19 hit in mid-March, the business lost a tremendous amount of business, but they were able to sustain by securing PPP and EIDL loans with a couple of orders trickling in here and there. In the months since, they have evolved the business by shifting to online sales with contactless delivery. The company's online orders have shot through the roof and it is now working on scaling to meet the newfound demand for their products.

SCALING



Businesses in this stage are booming as a result of the pandemic and are struggling to keep up with the demand for their product(s) or service(s). Businesses in industries that have been buoyed by the surge in people working from home and relying on online orders (i.e. home improvement, construction, home & garden, e-commerce, technology) are more likely to fit in this category.

Focus on these three tactics:

- Systems and processes.** Delegate tasks outside of your zone of excellence to your staff. Develop a series of systems and processes for these tasks so that your staff can complete them just as well as you could.
- Build out the dream team.** Evaluate your current team and work on optimizing their skillset. Determine what positions you might need to add to account for increased business. Figure out where you are going to find the ideal candidates to fill those positions and start the hiring process.
- Revenue generation.** Determine the "sweet spot" of revenue generation that produces the highest results for clients, costs the fewest resources, and yields the highest revenue. Explore new opportunities that fit within this "sweet spot." Make sure to scale as a premium and avoid spreading your business too thin.

The goal is control. Scaling your business can easily devolve into chaos. You must have control over lead generation/sales, hiring, systems and processes, etc., to prevent chaotic growth.

A construction client has been booming throughout the pandemic due to an increased demand for home improvement projects (i.e. home offices, pools). The business has so many projects coming in that they are struggling to keep up due to a labor and lumber shortage. They are continuing to have scaling problems, as the supply chain issues are out of their control.

WE CAN HELP!



Regardless of whether your business is surviving, sustaining, or scaling, the SBTDC can help. Our team of experienced business counselors can help you discover strategic priorities, develop a tactical plan, and deploy an implementation plan. Visit www.sbtcd.org/offices to find the closest regional center and connect with a counselor today!