



U.S. Small Business
Administration

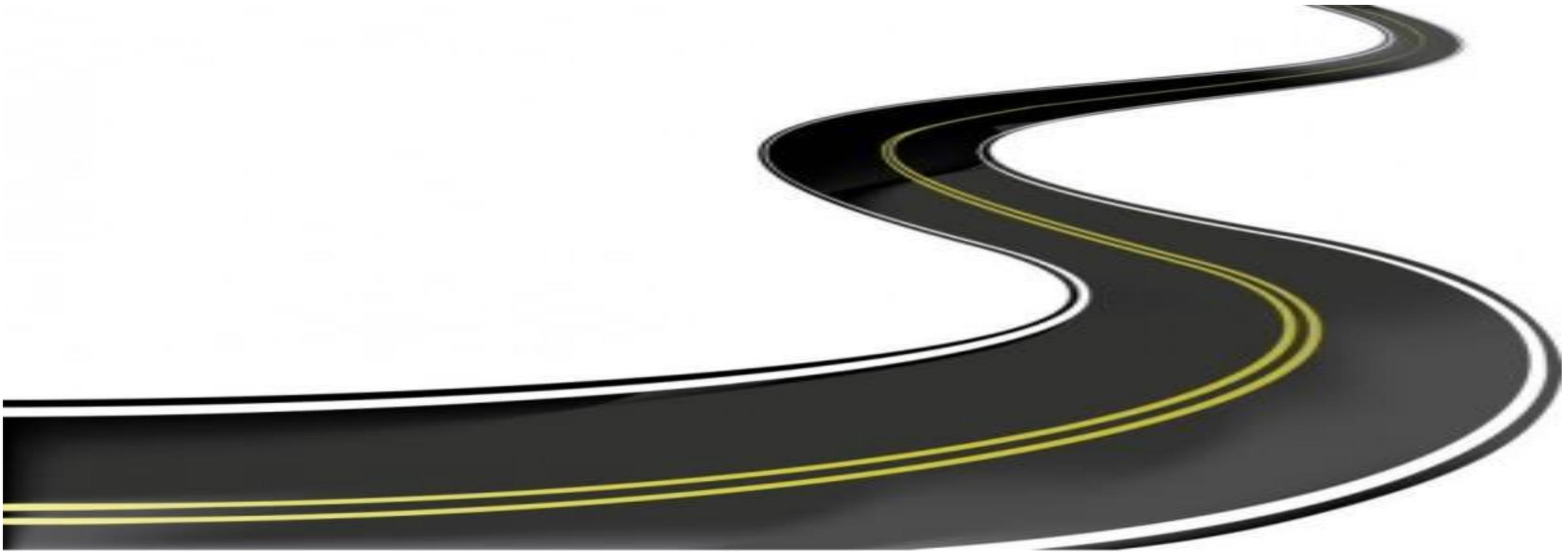


U.S. Small Business Administration (SBA)

Created in 1953, the U.S. Small Business Administration (SBA) continues to help small business owners and entrepreneurs pursue the American dream. The SBA is the only cabinet-level federal agency fully dedicated to small business and provides counseling, capital, and contracting expertise as the nation's only go-to resource and voice for small businesses.

Road to Recovery

A Roadmap for Moving Forward in the “New Normal” after COVID-19



Road to Recovery

Overview

The COVID-19 outbreak has wreaked financial havoc around the globe, leaving many small-business owners struggling in its wake.

According to the National Federation of Independent Business (NFIB), as of March 30—still early in the crisis—92% of small businesses said they had suffered negative effects as a result of the pandemic. Just 5% of small-business owners said they had experienced no effects at all.

Estimates indicate this crisis may last for two years or longer. Consumer behavior may never return to the old “normal.”

Road to Recovery

Overview

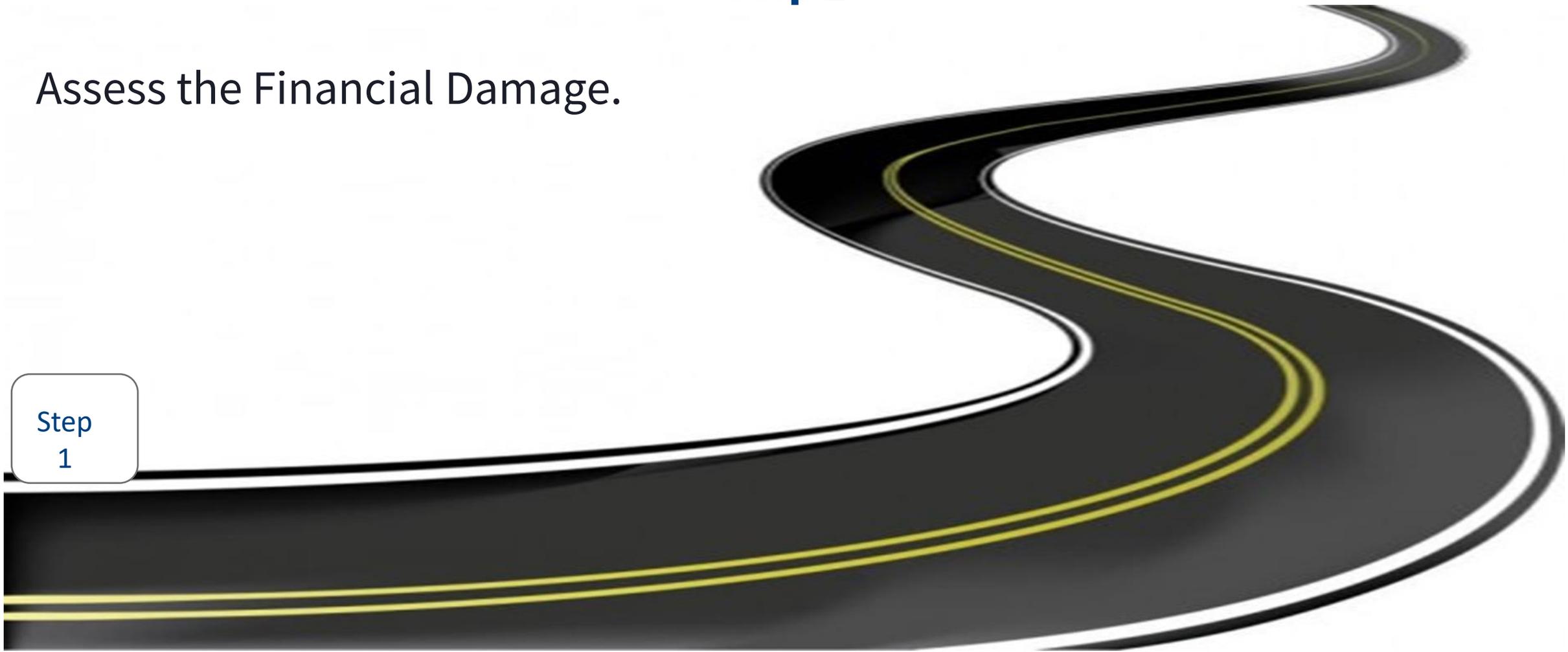
- Short term outlook varies by industry.
- What will your recovery mode or “new normal” look like?
- Preparing a roadmap for your “new normal” will allow you to hit the ground running as the country reopens.
- You are not alone! SBA and resource partners will be with you every step of the way on your Road to Recovery.

Road to Recovery

Step 1

Assess the Financial Damage.

Step
1



Road to Recovery

Step 1: Assess the Financial Damage

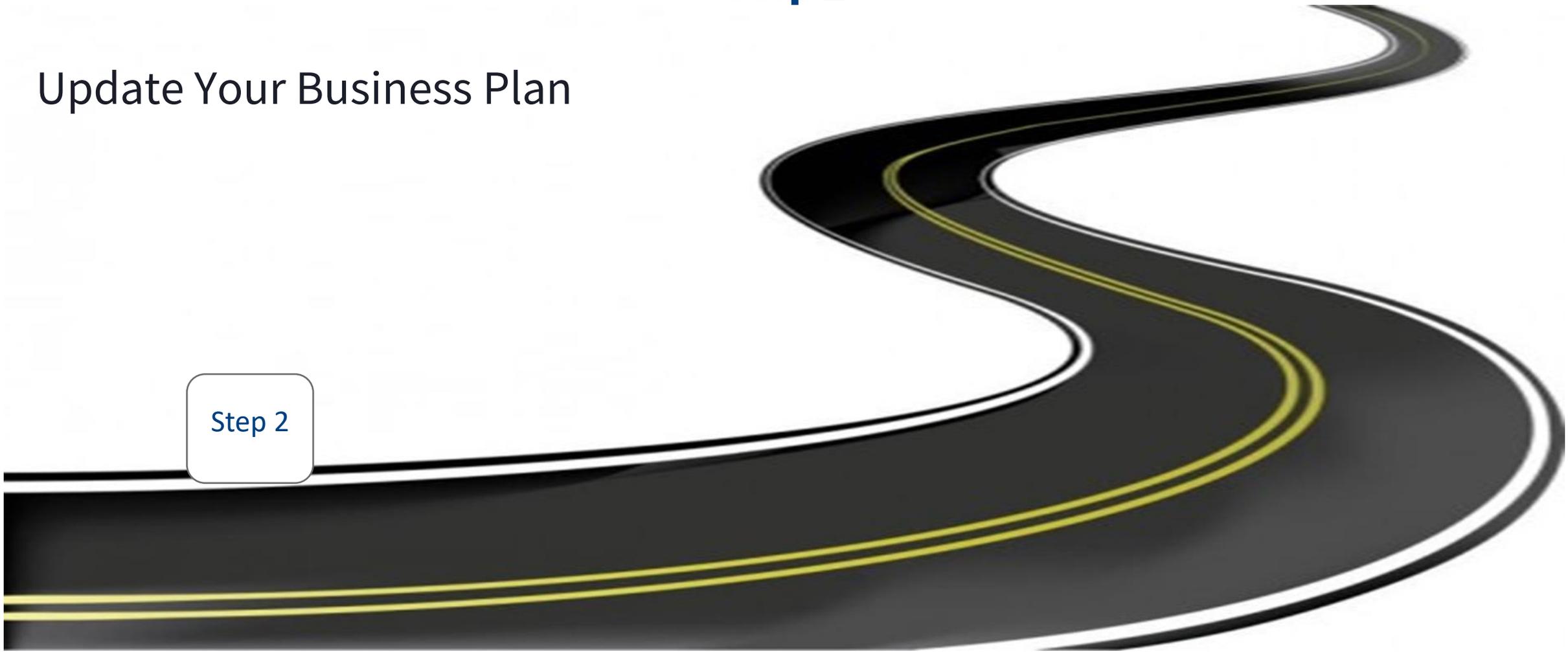
- Update your financial statements, including
 - Profit and loss
 - Cash flow
- Compare to figures from last year
- Other factors:
 - Did you lose employees?
 - Did you cut down on marketing and advertising?
 - Have some customers gone to your competitors?

Road to Recovery

Step 2

Update Your Business Plan

Step 2



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Step 2: Update Your Business Plan

- Your business plan needs to reflect the “new normal”
 - How will your customers find you now?
 - May need online presence instead of relying on foot traffic
 - Do your customers need different products or services?

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Step 2: Update Your Business Plan

- You are not alone. SBA, its network of resource partners and lending partners, and other resources are here to assist you.
 - Resource partners
 - SCORE
 - Small Business Development Centers
 - Veteran's Business Centers
 - Women's Business Centers
 - Lending partners
 - Banks and credit unions
 - Community and economic development corporations
 - Microlenders

Resource Partner

Local Assistance For You

<https://www.sba.gov/local-assistance>

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Step 2: Update Your Business Plan

○ Other resources

- State and local government
 - Procurement Technical Assistance Centers (PTACs)
 - Federal Resources for U.S. Small Businesses at <http://covid-sb.org/>
- Chambers of Commerce
- Colleges and universities, including community colleges
- Philanthropic organizations
- Trade organizations
- Unions

• Focus on industry trends

• Look for new opportunities

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Step 2: Update Your Business Plan

- Analyze strengths and weaknesses
 - Will you need to learn new skills or add new employees to adapt?
 - What current personal and business strengths will serve your small business as you move forward, including changes to products and service mix?
- Consider government contracting
- Be realistic!

Road to Recovery

Step 3

Recovery Funding



Step 3

Road to Recovery

Step 3: Recovery Funding

Unless you had a large amount of cash on hand going into the pandemic, it's likely that you may need some working capital to jump-start your business operations as you move into the recovery phase.

SBA is a logical choice for funding at any time, and especially as you move through the COVID-19 pandemic and into recovery.

Other sources of funding are also available for those who might not choose or qualify for SBA loan programs.

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Step 3: Recovery Funding

In the CARES Act, Congress appropriated specific funding programs to help keep businesses afloat and workers employed.

- SBA funding programs specific to the CARES Act include:
 - Paycheck Protection Program (program currently closed August 8, 2020)
 - Economic Injury Disaster Loans (advance has been depleted)
 - Community Advantage Recovery Loans (CARL)
 - SBA Express Bridge Loans
 - SBA Debt Relief

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Step 3: Recovery Funding

Once the CARES Act funding is depleted or expired, SBA still has three major loan programs to help small businesses obtain financing.

- SBA guaranteed loan programs:
 - 7(a) loan program – made by traditional lenders and used for expansion/renovation; new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit, inventory or starting a business;
 - 504 loan program – made by certified/economic development companies and used for long-term, fixed-asset loans; lender (nonguaranteed) financing secured by first lien on project assets.

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Step 3: Recovery Funding

SBA's three major loan programs (continued)

- SBA microloans are smaller loans made by non-profit entities. These entities borrow the money from SBA and make loans from these funds. These lenders are required to provide counseling as a part of their loan services.

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Step 3: Recovery Funding

Other sources of funding include:

- Small business term loans from banks, credit unions and online lenders
- Business lines of credit
- Business credit cards
- Vendor tradelines
- Accounts receivable financing
- Merchant cash advances

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Step 3: Recovery Funding

Other sources of funding (continued):

- Inventory financing
- Purchase order financing
- Equipment financing
- Loans/gifts from family or friends
- Loans from retirement accounts
- Investors

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Step 3: Recovery Funding

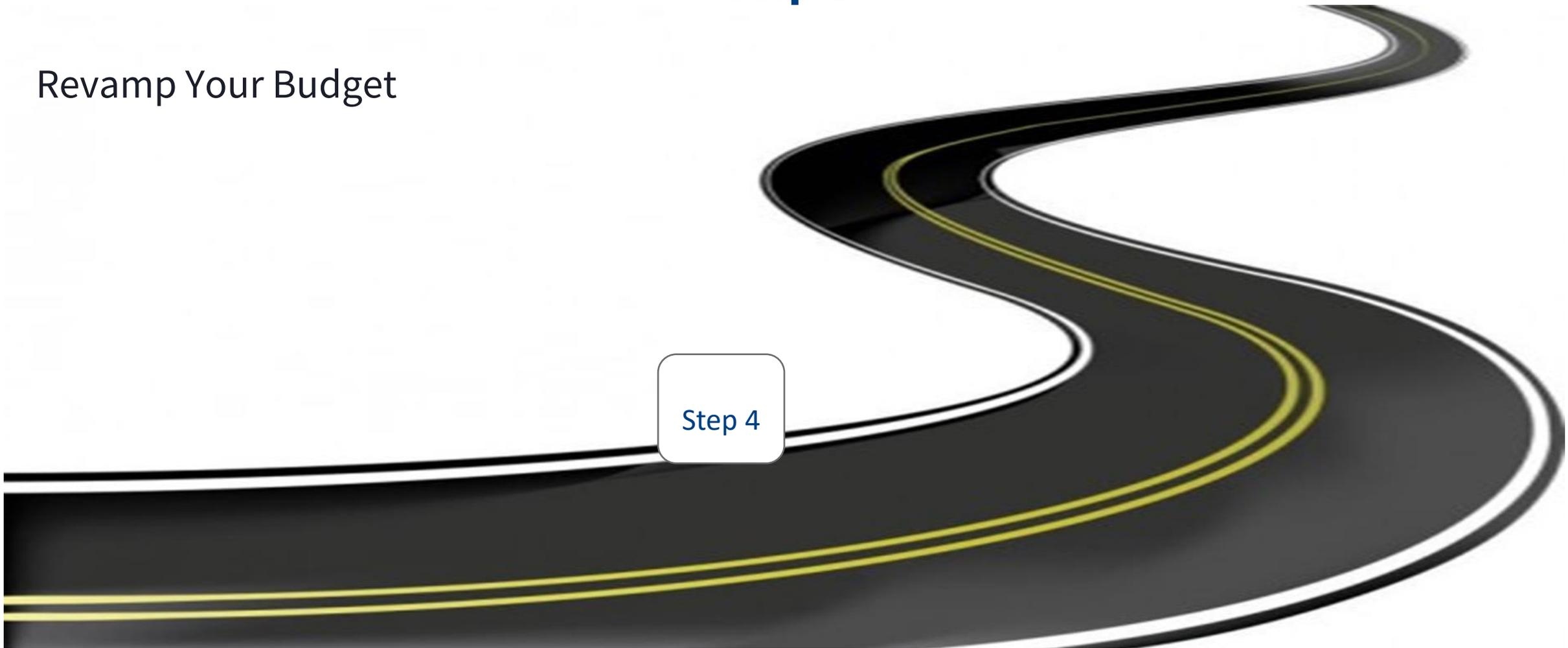
Facts to keep in mind regarding financing include

- Borrowing is competitive as lenders want to be repaid
- Personal and business credit scores matter
- Each financing method has advantages and disadvantages
- A good business plan with financials is strongly recommended
 - SBA resource partners can assist you with your business plan and financials

Road to Recovery

Step 4

Revamp Your Budget



Step 4

Road to Recovery

Step 4: Revamp Your Budget

Coming out of the COVID-19 pandemic, you may have to spend money in order to make money.

Expenses may include:

- Hiring/rehiring employees
- Training/retraining employees
- Purchasing merchandise
- Advertising and marketing
- Creating/revamping website
- Investing in digital app creation
- Investing in credit card processing system

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Step 4: Revamp Your Budget

Create a clear priority list that keeps your budget as lean as possible. Budget priorities will vary from company to company. Some questions to ask yourself include:

- What expenses are necessary versus nice to have?
- What expenses can be deferred without endangering your business recovery?
- What can you handle internally and what do you need to pay someone else to do?
- How can you minimize each necessary expense?
- Do you need your business income to support your household?
- Is your priority list for your budget realistic?

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Step 4: Revamp Your Budget

You may also need to plan for a lower future income.

- A higher percentage of receivables than normal may not be collectable as some buyers may have gone under or be in serious financial trouble.
- You may have to allow for fewer customers in your space leading to fewer sales, especially in the food industry.
- You may not be able to have as many workers in your space at the same time.
 - You might have to go to shift work to meet demand leading to higher labor costs.
- Employees may be out sick for extended periods for quarantine purposes.
- Employees may need increased flexibility because of caregiving issues.

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Step 5

Develop a Rebuilding Timeline



Step 5

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Step 5: Rebuilding Timeline

You probably have many things you need or want to do to in order to fully recover from the pandemic but doing everything at once is probably not realistic. Creating a timeline that prioritizes your most important actions first can help. Building a timeline can include backwards planning, which means working backwards from the desired outcome, such as reopening. A sample timeline might include the following steps.

- Securing funding
- Hiring/rehiring employees
- Restocking inventory
- Reopening

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Step 5: Rebuilding Timeline

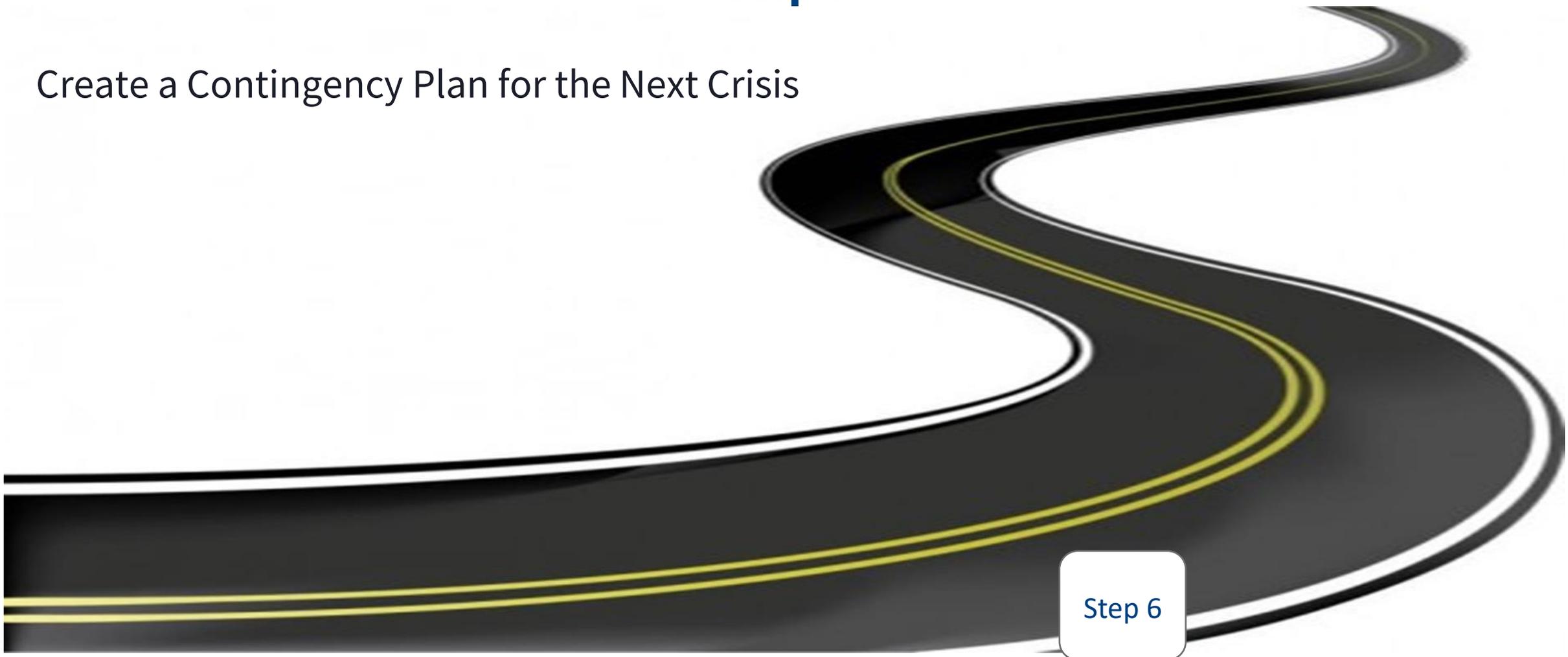
Things to keep in mind when creating and using your timeline include:

- Track your progress
 - Particularly important if you borrowed money as each step of your timeline must have a positive Return on Investment(ROI)
- Check your progress regularly
 - Weekly in the beginning
 - Move to monthly once you are sure your timeline is on track
- Be realistic
 - What can you and your employees realistically accomplish
 - You may not be able to afford to pay overtime

Road to Recovery

Step 6

Create a Contingency Plan for the Next Crisis



Step 6

Road to Recovery

Step 6: Create a Contingency Plan for the Next Crisis

While very few people foresaw a global pandemic, most small businesses are not prepared for a natural disaster or a major emergency. Using what you've learned during the current pandemic to prepare for the next crisis can help insulate your business from future shocks. These preparations increase the odds of business survival after the incident has passed.

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Step 6: Create a Contingency Plan for the Next Crisis

Some steps to consider include:

- Build up liquid cash reserves
- Streamline operations
- Work on adaptive strategies such as
 - Telework
 - Increased/added online presence and sales
 - Greater response to customer needs and trends
 - Take-out options
 - Virtual shopping
 - Delivery options, including working with third party delivery companies
 - Touchless payment options

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Step 6: Create a Contingency Plan for the Next Crisis

- Make thinking outside-the-box a matter of course. Have a Plan B (and maybe Plans C, D, and E) to deal with any conceivable scenario.
- Know what natural disasters are common where your business is located and prepare for those disasters.

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Step 6: Create a Contingency Plan for the Next Crisis

- Think about other common business disasters and prepare for those disasters, including
 - Fires
 - Floods, including sewer lines
 - Power outages and surges which can “fry” equipment (and data)
 - Extreme inclement weather such as ice storms, heat waves, or blizzards
 - IT failures, including loss of some or all data
 - Epidemics and pandemics

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Step 6: Create a Contingency Plan for the Next Crisis

Many federal, state, and local agencies have excellent disaster preparedness information on their websites, including disaster-specific information. SBA, FEMA, HHS, and Homeland Security are a few of the agencies that offer disaster planning information, much of which is on www.ready.gov.

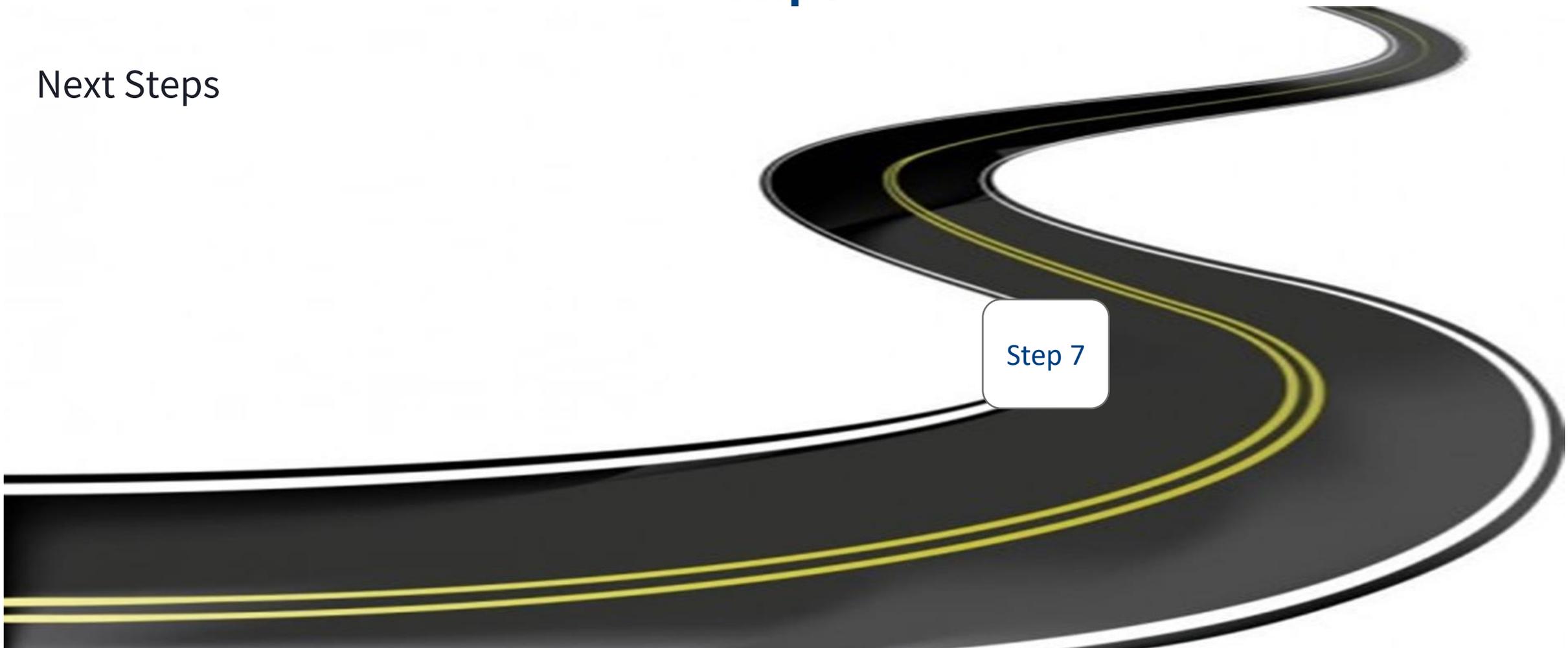
Other sites offering disaster assistance planning include:

- SBA - <https://www.sba.gov/business-guide/manage-your-business/prepare-emergencies>
- Federal Resources for Small Businesses - <http://covid-sb.org/resource/disaster-resiliency>
- State Emergency Management Sites

Road to Recovery

Step 7

Next Steps



Step 7

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Step 7: Next Steps

As you move out of recovery and into your “new normal” you will need to continue to evaluate your business practices and revise your business plan. Some ideas to consider now are

- Long-term planning
 - Where do you want your business to be in three, five, ten, or twenty years?
 - How will your business change?
 - What employees will you need to get to that point?
 - What assets will you need to get to that point?
- Diversification
 - Do you want to diversify your current business?
 - What other products or services might work for your business?
 - How can you make diversification a reality?

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Step 7: Next Steps

Ideas to consider (continued)

- Franchise opportunities
 - Could your concept be franchised?
- How could you take advantage of the “new normal?”
 - As with any crisis, there will be new opportunities.
 - What opportunities could you turn to your advantage?
 - What innovations, minor or major, could you create or implement?
- Succession planning
 - What happens if you are unable to continue to run your business on a temporary or permanent basis?
 - What happens if one (or more) of your key employees temporarily becomes or permanently unavailable?

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Step 7: Next Steps

Ideas to consider (continued)

- Exit planning
 - Will your children or spouse inherit your business?
 - Do they want it?
 - Do you intend to sell your business?
 - Do you want to sell to your employees as an ESOP?
 - Do you want to sell to outsiders?
 - Are you considering a buyout from a larger company or a merger with another company?

Road to Recovery

Small businesses will always be the backbone of the US economy.

Those small businesses which are prepared and agile have the best chance at full recovery and even growth as we move into the “new normal.” While small businesses can’t control the environment in which they operate, they can control how they operate within that environment, subject to legal limitations.

Take the Road to Recovery by following the steps to survive now and thrive in the future.

Contact Information

<https://www.sba.gov/offices/district/mo/st-louis>

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