

Can your startup navigate corona infested waters?

With the global pandemic such as COVID-19, it is hard to escape and could be one of the biggest biological disasters to impact the planet. The situation became oh too real yesterday evening as I said goodbye to my sister who is working in the NHS as front line staff. Saying goodbye today, because we can't see each other for the next six to eight weeks due to self-isolation when she lives one road over, hit home the impact of COVID-19 is touching everyone's life.

Temps de lecture : minute

15 April 2020

In the past week, I have attended emergency board calls and worked with colleagues across the globe to help startups that we have skin in the game with, be clear on what their response and strategy should be.

At a time like this, the key for your management teams is to have plan A, B, and possibly C, D, & E if required as these are uncertain economic times that we live in. However, the one thing we do know is that if planned correctly most stable startups should be able to stand a few poor quarters.

The coming months will be wrought with challenges so the key here is to prioritise the key business challenges in chronological phases as they arise accounting for operational or geographic proximity to front line COVID-19 restrictions.

Some early trends that have come out of my calls in the past seven days are...

Lockdown and understanding supply chain disruptions

With the strict sanctions placed on China and international cargo movement starting to slow, the knock-on effect is being felt across global supply chain markets forcing many retailing startups to find alternatives but their risk to increase in cost could also place more strain on your run rate.

Create new models for conservative and worst-case scenario growth projections

Startups across the UK have seen growth rates drop rapidly from November through to March. With some VC's reporting that companies will not even make the Q1 2020 projections.

Physical contact with the customer is going to be cancelled

For a lot of B2C startups face to face contact with your customers in the early days is essential, now it is critical that your sales team need to embrace cutting edge VR and AR tech to bring the customers into the sales environment. Businesses in sectors that rely on interaction with a physical product are going to need to be inventive.

Can models from 2008 forecast a path to recovery?

Looking back to the 2008 crash we can draw some very loose comparisons in terms of the markets recovering but what can't be accounted for is that the measures to control the virus are having a big impact. Business ability to travel, global conferences are cancelled and world trade and consumer activity are in free fall. It is likely to be eight or

nine quarters before we see any market stability or the right to roam reinstated.

“The bottom line is we really don’t know what will happen, but what we do know is that the fear factor and the way people change their behaviour makes the difference.” - David Owen, Chief European Economist at the US Bank Jefferies



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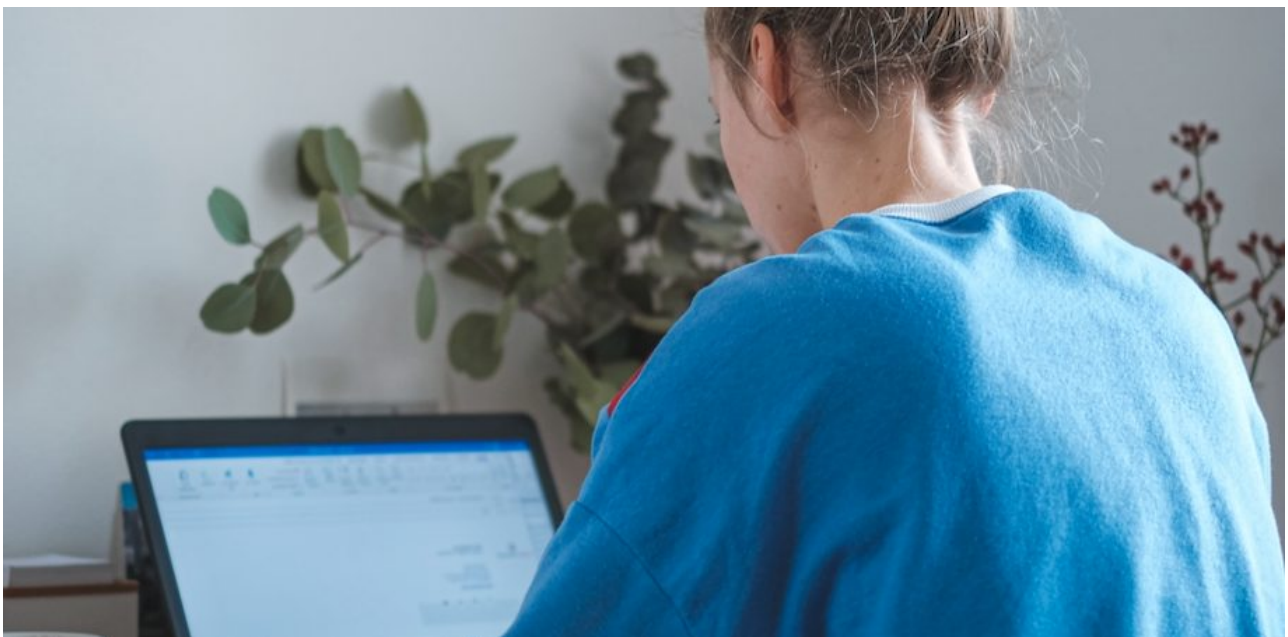
My advice to management teams is to ensure that you pull the right players into the right meetings to ensure there are alignment and the ability for the leadership team to take ownership or helping steer the ship. I suggest that you question every assumption about your business, including:

1. **Runway.** Is your cash flow position as positive as you think is? Is your business ready to weather the stormy economic climate ahead? Has your CFO made clear what his contingency plan is? The big questions on your mind and on your team's lips are how much runway do we have before our jobs are at risk? Knowing that inevitable cuts will need to be made, take a positive stance with your staff and let them know what is to come as early as you can. But staffing cuts interestingly can have the longest term impact on the businesses fundamental ability to operate versus a change in supplier or process adjustment.
2. **Fundraising.** Seeing the dip in the equity markets thus far then we can predict that company exits are going to reduce. Are you ready to push through 2020 if attractive terms are no longer on offer? As markets stabilise we can hope for a reset in valuation but until that point, you may need to consider interim fundraising strategies with veteraned investors that share your vision and have already gone through the 2008 economic downturn and can provide capital as well as strategic advice.
3. **Forecasts.** Ask your product and sales managers to report on any potential exposure to risk you have within your sales funnels. Ensure all of your front line sales teams are increasing client contact to lock down any deals that were nearly over the line so you aren't caught on the back foot wondering why your sales pipeline has dipped.
4. **Marketing.** As you see sales dip across the board it will be important to realign your marketing efforts to count for your cost per acquisition to

go up as click-through rates decrease. It is advisable to pull your marketing teams in and push the ROI benchmark a little higher to assure you feed the top half of your sales funnel efficiently.

5. Review all capital spending. If you are in a cash positive position your CFO or FC should have pulled you aside to run an audit of all the outgoings you have and suggested where you can trim costs with non-essential expenditure. In my experience here communication is key when cuts have to be made as what may not be essential for your product manager may be business-critical for your sales manager and your financial team may not have visibility of the dependencies of both. Your management team is going to need to speak regularly as we navigate the turbulent quarters ahead.

While the CEO steers the ship to greatness it will be the crew that help navigate the troubled waters ahead. Leadership is going to have to take a far more inclusive approach to come out the other side of this global crisis in the as best shape as possible. If you are worried that your business may need some additional help getting through the next year there are a number of online resources that can help you.



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Article by Darren Rebeiro