

Business Recovery for a Post-Pandemic Future

by Tom Murray

At the time of writing (late April), business owners are battling the impact of Covid-19. They are likely to be fighting on several fronts for many months to come.

Covid-19 is an unprecedented intervention into every part of the economy. One of the biggest challenges is considering what will change, possibly for good, and how to prepare for a post-pandemic future.

What is certain is the longer it goes on for, the more damaging it will be for the economy, and it will have an increasing impact on the future behaviour of B2B and B2C consumers.

Simply speaking, there is unlikely to be a rapid return to 'business as usual', and there will be winners and losers from a business perspective in the 'new norm'.

As someone who has spent two decades advising businesses on crisis management, turnaround and restructuring, it is apparent to me that the firms that will best survive this pandemic will be those that display

1. resilience,
2. agility,
3. adaptability; and
4. the ability to reset their business to the changing landscape.

We do not yet know how long this pandemic will last, but we know its impact will be severe. There will be several phases. We have gone through the stage of confusion as Covid-19 emerged and hit our society and business. We are working our way through a phase or period of adaption having entered lockdown and companies have adopted remote working and other workarounds where possible. Of course, for many businesses and many sectors working from home or working remotely is not an option.

Having "stabilised", there is likely to be two more phases to come before they can adapt to the new norm. These phases will be in effect preparing for the post-Covid-19 reality and then ramping up as businesses adapt to the post-Covid-19 reality.

Preparing for a post-Covid-19 world there will be apparent changes and developments. There will also be more subtle changes. Both could be equally profound on the business environment that emerges.

Businesses need to ask themselves **"What will change for good"**. Questions business should ask themselves include:

- Will their consumers return to the old behaviour patterns? Are consumers likely to stay online out of convenience or to avoid public gatherings?
- Is their industry/sector moving more quickly than anticipated into a digital world adopting technologies, e-commerce and working from home?
- Will globalisation contract? What are the implications for supply chains now and in future pandemics?
- What is the future of real events? Will people feel safe meeting people in public?
- What are the implications for businesses that are dependent on crowds and large gatherings such as conferences and sports events? Will people want to avoid mass gatherings in the short, medium and long term?
- Will travel patterns change in a manner that affects the hospitality and airline industries?

Whatever the changes, the only certainty is that behaviour will change and there will be no going back. If a business can accept that there will be changes, they should make sure not to "let a good crisis go to waste" and use the opportunity to reset for the future. Failure to plan will only increase confusion and delay their recovery.

In this context business owners need to map out their probable position for when the pandemic eases and will involve planning for multiple scenarios. By planning for numerous scenarios, consistent themes will emerge as to what a business needs to do now to achieve its future objectives.

When scenario planning, it is essential to accept that you and your business will not be the same. You may need to take a contrarian view. It is also the time to engage and consult with your customers and conduct market research. Ask the question, how will you be relevant to your customers or client's needs going forward?

It is interesting to observe that in a lot of consumer driven industries such as the fashion world, the closing of retail shops and consumer exhibitions and events have led to firms having to consult with clients directly, in order to see what a post-Covid-19 world will be like as they are starved of data on purchases inventory and social media tracking.

It may take time to find the questions let alone the answer. Companies need to be resilient and adaptable and have the ability to learn quickly and change course when they learn what works and what does not work over the weeks and months ahead.

Furthermore, all businesses need to have a technology mindset. The adoption of further automation in manufacturing, working from home and the need for less costly real estate, the use of AI for specific tasks and the use of drones for delivery, will be adopted much quicker than previously anticipated.

Questions will also need to be asked as to whether they will embrace the gig economy by relying more on freelancers or contractors to avoid having large staff numbers and costs if or when the next crisis emerges, or do they believe that having employees with skillsets is a competitive advantage.

Corporate Restructuring

Companies in financial distress as a direct consequence of the pandemic may need to undertake a fundamental corporate reconstruction to enable them to remain in business.

It may be essential to restructure your finances and your balance sheet of legacy debt arising out of the pandemic.

In this context, businesses may look at selling off individual non-core businesses to raise funds or de-merging companies to create separate sustainable companies. This may involve raising some new capital and persuading creditors/lenders to accept some alternative to the repayment of their debts.

One of the most challenging questions that their clients will ask accountancy firms will be "Should I put my own money into the Company to save it?"

Before putting new money in, Examinership should be considered, as new money can frequently guarantee the success of an Examinership.

Options such as Examinership and Schemes of Arrangements can be valuable tools as part of any restructuring and should not be dismissed or seen as an admission of 'failure'. They can help prevent corporate insolvency and ensure that the business continues in the short-term.



In fact, by utilising Examinership or Schemes of Arrangements, the business may be given breathing space to restructure, and in doing so, it could enable the company to develop a sustainable competitive advantage and provide opportunities for raising further finance.

In any event, if Directors are putting money into the business, they should consider securing the payments advanced by taking a charge over Company assets. Legal fees to do so are about €2,000 to €3,000 and could be money well spent.

Should you quit when ahead?

If there is one lesson that may need to be heeded from the financial crash of 2007/2008 it is the need to 'Quit when you're ahead'. In the years after this crash, we saw too many Directors of businesses lose their personal assets, be it pension funds, investment properties, homes etc. as a direct consequence of trying to support and prop up a business.

As a result of the pandemic, there is no doubt that some companies would be well advised to cease trading now and protect their retained earnings to date by placing the company into a Members Voluntary Liquidation, as opposed to incurring losses by continuing to trade in a hostile trading environment.

Some directors might be able to avail of either the 10% Entrepreneurs' Tax Relief Scheme or Early Retirement Relief.

Do and communicate the right thing.

Finally, all businesses will need to learn the lessons of this pandemic and be prepared for when it happens the next time.

That being said, when preparing for a post-pandemic world, Companies need to recognise and accept that they will face a social backlash if they are perceived to be exploiting the crisis or forcing employees to work in dangerous conditions. Every action that a company takes at this time will send a loud message. This is not to say that there will not be tough decisions, but how a company makes and communicates those decisions will have a direct bearing on its post Covid-19 performance.



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