



We've all seen the headlines over the past few weeks highlighting a disrupted global supply chain, distraught business owners and a shell-shocked workforce. While it's hard to escape the negative press cycle, there are businesses out there finding innovative ways to survive and move forward.

Discover how one family-run business (the "Company")—which was deemed essential—is proactively addressing the problems. They identified the specific difficulties and impacts from a financial and human perspective and swiftly made the changes needed.

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And now they wait.

## The Challenge

The Company initially experienced problems when trade relations with China soured in late 2019, causing supply chain delays, including long waits for export permits and postponements in customers receiving components from China.

Then there were the rail blockades in early 2020. Now seeming like a distant memory, these protests had a profound impact on transporting goods from point A to point B.

Finally, COVID-19 compounded the situation. Despite parts successfully making their way to Canada, they were being held in quarantine once received. While waiting for business to normalize, customers deferred orders, not wanting to spend money until absolutely required.

Each of these issues added another level of challenges making it extremely difficult to continue operations ordinarily. Here's a quick look, as of March 2020, of the Company's financial situation:

- no secured debt
- CRA account current and up to date
- accounts receivable around \$400,000, all of which should be collectable
- cash in bank of approximately \$200,000
- equipment, with newer pieces being leased and older pieces owned outright
- a daunting short-term cash flow outlook due to 20-30% decline in sales in each of January and February

## The Solution

There is no single quick fix to most challenges, however, several seemingly small changes may combine to produce a significant impact to help ensure businesses survive in the short-term.

The Company evaluated its situation and identified measures that would help improve financial and operational efficiencies and, ultimately, keep the doors open. The primary measures taken include proactively seeking out additional cash for working capital, [communicating](#) with its financial institution and devising innovative plans with its employees to address what the Company can do to maintain operations and to utilize its skilled staff and large facility to aid in the war against COVID-19.

In an attempt to solve the urgent cash-crunch, the Company is in discussion with its bank to apply for several emergency

programs—including BDC’s *Business Credit Availability Program (BCAP)* (when available) and the recently announced *Canada Emergency Business Account (CEBA)*—both available through government agencies and major Canadian financial institutions. The Company also submitted an application to the federal government for its *Work-Share Wage Subsidy* and intends to apply for the *Canada Emergency Wage Subsidy (CEWS)*, when available, to ease its payroll burden. The CEWS subsidy will cover up to 75% of an employee’s eligible salary or wages paid between March 15 and June 6, 2020, up to a maximum of \$847 per week.

The Company is taking advantage of all deferrals offered, including the Workplace Safety and Insurance Board (WSIB) allowing employers to defer premium payments for a period of six months and have deferred 10% of their payroll tax remittances pursuant to the *Temporary 10% Wage Subsidy*.

In addition, the Company applied for a \$500,000 line of credit with a small business advisor at a bank branch that they had been dealing with since operations commenced. In its correspondence with the bank, the Company qualified certain assumptions to isolate and quantify the impact of COVID-19, and other issues outlined above, on ordinary operations. The analysis is meant to provide context to cash and business forecasts moving forward.

On the employee side, the Company worked collaboratively with its employees to help curb the spread of COVID-19, maintain employment for a majority of workers and keep the business running. In an effort to minimize the financial impact on both employees and the Company, they reduced operations to a four-day work week and to lessen the chance of contracting COVID-19, senior-aged employees voluntarily took leaves of absence.

The remaining staff were encouraged to take a *Pandemic Awareness and Planning* online course through the Canadian Centre for Occupational Health and Safety. The Company also submitted two proposals to *Ontario Together; help fight Coronavirus* outlining innovative ideas on how the Company’s skilled staff and premises can contribute to flattening the curve.

## The Result

Although the Company is still waiting on many of these applications and ideas to bear fruit, they have taken the first steps and have started to see some positive results.

The Company’s application for the *Work-Share Wage Subsidy* was approved within a couple of days after their application was submitted. This provided some financial relief and a much-needed morale boost during these difficult times.

The waiting game continues for the Company, as well as many other businesses who have applied for financial assistance through government and bank channels or are biding time for the program infrastructure to be established. During these uncertain times, only one thing is certain:

Those most likely to feel the warmth from the light on the horizon will be those that move toward it. We are optimistic that the successes of early actors, such as our client, will convey a message of hope for small and medium-sized Canadian businesses when it is needed the most.

## Resource Links

- [Canada Emergency Business Account](#)
- [Canada Emergency Wage Subsidy](#)
- [Work-Share Wage Subsidy](#)
- [10% Wage Subsidy](#)
- [BDC BCAP](#)
- [Pandemic Awareness and Planning](#)
- [COVID-19](#)

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