



UNITED NATIONS  
INDUSTRIAL DEVELOPMENT ORGANIZATION

# GUIDANCE FOR MICRO, SMALL, AND MEDIUM ENTERPRISES BUSINESS RECOVERY

in the Wake of the COVID-19 pandemic

MSME COVID-19 Recovery  
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# LIST OF ACRONYMS AND ABBREVIATIONS

- CNY** Chinese Yuan
- COVID-19** Coronavirus disease
- SARS-CoV-2** Severe acute respiratory syndrome coronavirus 2
- UNDRR** United Nations Office for Disaster Risk Reduction
- UNIDO** United Nations Industrial Development Organization

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## ACKNOWLEDGEMENTS

This publication has been produced by Mr. Christoph David Weinmann (economist and systems consultant) together with the United Nations Industrial Development Organization (UNIDO). The authors would like to express their thanks to Mr. Jian Ma and Mr. Hongfei Yue at UNIDO Beijing Office for their support in editing and proofreading the report, Mr. Peter Liu for his support in translating the report into Chinese, and Ms. Sofya Parfenova for her assistance in formatting and designing the report prior to publication.

# 1 INTRODUCTION TO THIS BUSINESS RECOVERY GUIDANCE

## 1.1 WHY BUSINESS “RECOVERY”?

This guidance treats the COVID-19 epidemic as a disaster. A disaster can be described as a serious disruption of the functioning of a community or society involving widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope with using its own resources.<sup>1</sup> Though often caused by nature, disasters can also have human origins. International literature on disaster management usually classifies epidemics and pandemics as disasters.

Whether a disaster is formally declared is not important here. It is important to recognize that a disaster type of situation can put affected businesses under significant stress, including failure for those businesses that are less fortunate or less capable to directly respond. While the COVID-19 disaster did not involve as much physical destruction of businesses which we are used to when discussing natural disasters like floods or earthquakes, the situation of an epidemic bears many similarities because the effects on business come as a shock (without early warning) and because a significant number of businesses are affected in a very short time.

COVID-19 has affected the whole of China, with most of the hardship at all levels endured in Hubei province. In an interconnected economy, effects are not only felt in Hubei but also in other places of the country. Ripple effects have already reached other countries.

<sup>1</sup> United Nations Office for Disaster Risk Reduction (UNDRR)

### G.01

#### Disaster risk Management Cycle

SOURCE: UNDRR



“Recovery” is defined as the restoration, and improvement where appropriate, of facilities, livelihoods and living conditions of disaster-affected communities, including efforts to reduce disaster risk factors. When the term “business recovery” is used in this document, “recovery” refers to what is called the cycle of disaster risk management (see graph G.01 above). In other words, as the COVID-19 epidemic constitutes the “disaster” in this cycle, a disaster “response” has been organized by the Chinese government with the whole society participating at all different levels. As the “response” is leading to the containment of the disaster, opportunities for “rehabilitation and recovery” are opening up and need to be leveraged to return life “back to normal” or to “better than before”, as far as it is possible depending on the damages the disaster has left.

One element in this process of rehabilitation and recovery is the recovery of businesses affected by the disaster, most of them usually micro, small, and medium enterprises. It is this aspect the present guidance addresses.

## PROCESS OF BUSINESS RECOVERY



There are too many different types of enterprises that figure as micro, small, and medium enterprises in order to provide quick guidance that will be a perfect fit for each enterprise concerned. Enterprises may range from processing agricultural products, over food production to carpentry, information technology, metal working, textile and apparel production, to name a few only and not even mentioning services and agriculture. They may employ less than 8 or maybe hundreds of persons. They may be located at the epicentre of the COVID-19 outbreak or in completely different regions and climate zones.

Not only is there a high variation between the types of enterprises, but there is also a high variation between enterprises regarding the degree they are affected COVID-19. Some enterprises may have not been affected at all whereas others may have lost key staff, lost customers and clients to competitors due to the longer-than-usual interruption, may have seen their stocks perish during the extended period of closure, or simply run out of cash.

There are no one-size-fits-all solutions for these problems. In some cases, it may be possible to simply pick up where business stood before the Spring Festival, in others the whole business may need a turnaround, for example, if the buyers of your products were catering to the tourism sector in Hubei province which may need additional time to recover. Some businesses may even face inevitable closure. Experience from disaster recovery around the world shows that businesses may also experience decline and bankruptcy during the phase that follows a disaster even if they survived the disaster itself because they were not fully aware the situation in the market changed in the wake of a disaster.



Therefore, this guidance is of a generic nature. It can be used by enterprises of any type in order to systematically identify potential issues and get down to solving them as quickly as possible in order to overcome difficulties arising from the epidemic caused by the COVID-19.

This guidance follows typical steps for business assessments used in the aftermath of disasters as they are applied in many countries. The steps of the process of business recovery are shown in the chart below.



Arguably, these different steps in many ways could also be called iterations because the subject in these steps does not completely change. It is looked at in increasing depth, moving from quick appraisals to more detailed analysis while different aspects are highlighted during the process.


The principles guiding the business recovery process are based on the notion that it is important to

- be quick and realistic in understanding the situation of the business following the COVID-19 epidemic
- capture key factors determining future profitability of the business after obstacles created by and restrictions imposed due to the COVID-19 epidemic have been lifted
- ensure business recovery plans drawn up are sufficiently robust to enable continuity of the business
- check whether there is any way to apply the “build back better” principle (i.e. making use of the crisis to reduce business risks such as epidemics and possibly also to improve and/ or expand the business)
- minimize losses where viability is not feasible

Overall, it is important to understand that business recovery needs to lead to good business results in order for the affected business to be sustainable. There is nothing gained by recovering businesses which are bound to operate at a loss and will impoverish their owners. While continuing where you stopped before the holiday break will be feasible for the largest number of businesses in the wake of the COVID-19 epidemic, a significant number will still need to adjust to a changed market environment that usually comes with a disaster.

## LEAD QUESTIONS HELP YOUR ACTION PLANNING IN EACH STEP



 This guidance is delivered by using lead questions. In answering the lead questions for your business, you will be able to decide how to best move forward. Most questions focus on key parameters of success for any type of business. The lead questions help you focus on where to begin and how to continue on your path of recovery.

- Some medium and large enterprises will usually have staff and more resources to work out solutions for their, possibly more complex, operations. That is fine. Do take all the resources you have available to recover. Some of the staff may have been trained in business analyses, and can draw on a variety of tools, on their education and training or years of experience. We do not intend to reinvent wheels for you. Neither do we suggest oversimplifying your analyses.
- Many micro, small and medium enterprises, on the other hand, may need to get by with fewer staff and resources to develop their solutions. Where owner-managers or key staff or their families have been directly affected by COVID-19, human resources may immediately thin out and their businesses may need to recover “on a shoestring” of experience and management knowledge. Therefore, this guidance is tailored to their specific needs.
- That being said, all businesses will need to address the same kind of questions brought up in this guidance during the recovery from a disaster as the COVID-19 epidemic.

The key criterion which usually separates micro, small, and medium enterprises from large enterprises is that most of the micro, small, and medium enterprises are managed directly by their owners. This is why the owner perspective is important during the recovery from a disaster.

- As a single business owner or manager, your personal situation and your personal visions have a significant impact on the potential success of your business. Everyone has their own ambitions, and different constraints and possibilities at different stages in their lives, and nobody can be forced to run a business. While it may be beneficial to the community, you may still find, a crisis as induced by COVID-19 can also signal an opportunity to take an exit decision.
- Some medium or large businesses may already have their own business continuity plans for different types of emergencies. If you have such plans, do make use of them for dealing with the COVID-19 disaster. If do not have such plans, think about such plans for the future once you have successfully recovered your business or started a new one following this crisis.

Everyone has their own preferences and working styles. Your business may have standing templates and procedures in place that are time tested and have proven useful in practice with your staff, customers and suppliers. No matter what templates you use, they will usually include some kind of action plans.




We recommend you make an entry into your action plan, let us call it “business recovery actions” or “business recovery plan”, for all the questions in this guidance where you feel the answer implies there is something important or useful to do.

### T.03 Business recovery actions [EXAMPLE ONLY]

No.	QUESTION OR ISSUE	ACTION REQUIRED	PERSON RESPONSIBLE
1	Are all staff safe and sound?	Contact every single staff member to verify personal (and their family’s) health situation as well as ability and readiness to work.	personnel manager
2	Staff able to return to business location?	Verify transportation and accommodation options for staff coming from out of town.	personnel manager
3	Verify customer order status	Contact customers A, B, C, D to reconfirm orders w, x, y, z.	sales manager
4	Verify supplier situation	Contact key suppliers and discuss/ assess their expected capacity to deliver. Discuss options for cancelling or delaying orders already placed prior to disaster in line with post-disaster customer demand [item 3].	owner-manager



5	<b>Improve workplace ventilation</b>	Add 8 additional mobile fans in stuffy corners and increase throughput of air conditioning to ensure air velocity of 0.20 m/s during normal operations.	chief engineer
6	<b>Improve workplace epidemic protection</b>	Install transparent plastic sneeze guards between factory work stations.	chief engineer
7	<b>Assess whether we are doing enough to manage epidemic risks</b>	Classify employees by exposure risks. Revise occupational and safety instructions for transport workers and sales staff (outlet-based and travelling).	personnel manager
8	<b>Reduce exposure risks of employees</b>	Redesign work flows and procedures to minimize direct contact between employees and between employees and customers. Create a designated quarantine location for persons developing or showing any symptoms of COVID-19.	chief engineer
9	<b>Determine expected cash inflows during next 90 days</b>	Check accounts receivable up to 31 May.	book-keeping
10	<b>Implement selected options for accelerating cash inflows</b>	Check stocks for finished products that can be quickly sold off. Accelerate sell off of unnecessary assets.	sales manager/ chief engineer
11	<b>Relaunch general communication</b>	Draw up communication strategy (key message: “We are up and running. Will get regular shipments to your doorstep again by middle of March.”) and use the opportunity to launch a website. (Find an information technology student who can help us to draw up the concept for the website.)	sales manager
12	<b>Inform key customers</b>	Call key customers personally to explain situation, rebuild confidence, and seek to obtain estimates for next quarter’s orders.	owner- manager

-  The questions in the guidance follow a certain logical order because they build upon each other and/ or go into more depth at each stage. If you cannot answer a question, you may need to clarify the situation before you proceed. Some questions also may not apply to your specific business or situation and can be skipped. But most should apply to any business. Do not forget to enter who will be responsible for delivering the analysis or implement the action and the respective deadline so you can quickly follow through.
-  In many cases, you as business owner or manager may need to deliver part of the plan yourself. In cases where you need external assistance, it is also legitimate to turn to external advisers, e.g. certified accountants, lawyers, banks, and small business service centres. Some of the questions may possibly be addressed by properly communicating with your customers and suppliers. Many of the questions may need consultation with your staff.
-  Last not least, given the specific nature of COVID-19 as a virus epidemic, the lead questions in for these steps do not include issues more common to other types of disasters such as war or natural disasters. For example, damages to or loss of business premises, damages to infrastructure, loss of business assets and stocks, loss of business data bases and documents, protection against vandalism and theft, or issues of access to the business itself because the numbers of these cases are going to be minimal regarding COVID-19 and therefore are not part of this guidance.





# QUESTIONS ON THE ROAD TO BUSINESS RECOVERY

The lead questions below which you may use to remind yourself of the typical priorities that arise during the recovery of a business affected by the disaster of an epidemic are grouped by recovery phases. They begin with the immediate questions arising out of the COVID-19 disaster, and then progress to more detailed assessments which enable you to shape your business for the time after the disaster.

Some questions may reappear in different phases, either because initial assessments will be rough or even by rule of thumb and need to be detailed as you move forward, or because the focus changes as you move forward. If you already had all the detail available in a previous phase, of course, there is no need to repeat the analysis. Be aware, however, that the situation in the market may have changed as a result of the COVID-19 disaster, and that you may not necessarily be able to rely on pre-disaster information for running your post-disaster business.



## IMMEDIATE ACTIONS



- Are any of your staff affected by COVID-19?
- Are any of your staff's family members affected by COVID-19?
- Will your staff be able to return to work?
- Are there any obstacles for them to return to work (especially if they come from another location)? What are the current rules that apply to travels?
- Is there anything you can do to help them return to work?
- (Alternatively:) Do you need to put off staff for the time being?
- Is there a potential benefit for the business from staff remaining at home and thereby extending quarantine? Can staff return in batches as the business increases its output again or does everyone have to be present from day 1?
- Are your premises operational?
- Are you able to receive supplies from your suppliers (from other locations) and send products to your customers (in other locations)?
- Can you recover any of your supplies and stocks of semi-finished and finished products?
- If you are insured, did you contact your insurer to offer on-site inspection of damage? (Do not begin cleaning up before contacting your insurer and agreeing the procedure!)
- Did you record all damaged supplies and stocks of semi-finished and finished products?
- Did you take photographs of damages that have occurred as a result of the disaster?
- Did you provide your insurer with your preliminary damage assessment? <sup>2</sup>

## PREPARING FOR RECOVERY



- Did you prepare your action list of activities required to reopen the business? <sup>3</sup>
- As COVID-19 is reaching a global pandemic stage and COVID-19 may enter China again from abroad, do you have sufficient material supplies available to deal with protecting your business from COVID-19 (or other epidemics) over the next months? What are reasonable stocks of disinfectants and personal protective equipment (PPE) that should be available and how often will they need to be replaced?

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<sup>2</sup> See Annex A.1.1 for a template to calculate your damage assessment.

<sup>3</sup> See a simple example in section 1.3 above.

- Are there any processes or work flows that could be changed to reduce the frequency of direct face-to-face interaction of employees and thereby reduce COVID-19 transmission risks in the workplace? How about the interaction between sales and transport staff with customers: Are there any ways of limiting exposure risks?
- Can workplace hygiene be improved by raising awareness of employees? Can you make sure that everyone internalizes the knowledge how to best protect others and themselves?
- How will your business keep up with the increasing knowledge about COVID-19 in order to ensure best-possible protection of staff?
- Are you losing money on a daily or weekly basis while not operating? How much?
- Did you create and/ or update your accounts payable list? Did you sort by date due? What bills do you owe and when are they due?
- How much money do you (and your family) need to live on? <sup>4</sup>
- How much money are you able to access (cash, savings, other income, credit, etc.)?
- Did you obtain information from the insurer what pay-out you may expect and in which form, and at what time this pay-out will be made to you?
- Do you need to make any quick decisions about retaining staff in the immediate future? Are there any major obstacles that may force you to refer any staff to unemployment?
- Do you need to put some of your staff on short time until business is genuinely up and running again? Can you alternatively deploy staff you wish to retain on implementing changes (redesigns, modifying work flows, repairs, constructions, etc.) that you had already planned for improving your business?
- Are you providing sufficient leadership during this phase in order to motivate your staff to contribute to recovery? Are you making sure to keep your employees informed about the situation of the business, so they have a good understanding for possible changes in routines and current priorities?
- Can you still fulfill all your customers orders? Or have some already been lost to competitors? (If they are not yet lost, do let your customers know about the delay and when to expect delivery.)
- Are there standard (regularly scheduled) orders that you fulfill that you need to talk to specific customers about?
- Where you cannot fulfill orders at this time, did you inform customers and assist them to fill such orders from other suppliers until you will be able to deliver again?
- Can you work with your customers to devise a strategy to assist them in continuing to receive the goods or services you usually provide?

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<sup>4</sup> See Annex A.1.1 for a template to calculate your damage assessment.

- In case you cannot directly move on with your production or orders have been cancelled by your customers, can you cancel orders that you have placed with your suppliers?
- Did you contact your suppliers about payment schedules? (Ask for rescheduling due to the interruption that prevented you from using the supplies they had delivered.)
- Do you need to postpone purchasing supplies for the time being?
- Does your business have an active website? If so, should it be shut down or should messages be placed to inform customers and possibly suppliers on what happened and when you expect to be back to business?
- Are there other means of reaching your customers and keeping them connected and informed?
- Are you able to properly dispose of any damaged supplies and stocks (e.g. spoiled food products)? (Contact your local government in order to ensure that disposal conforms with local procedures and avoid illegal dumping.)
- Did you check what potential support is available from local, province and national government agencies?

## B.04 Are you adjusting your communication strategy to COVID-19?

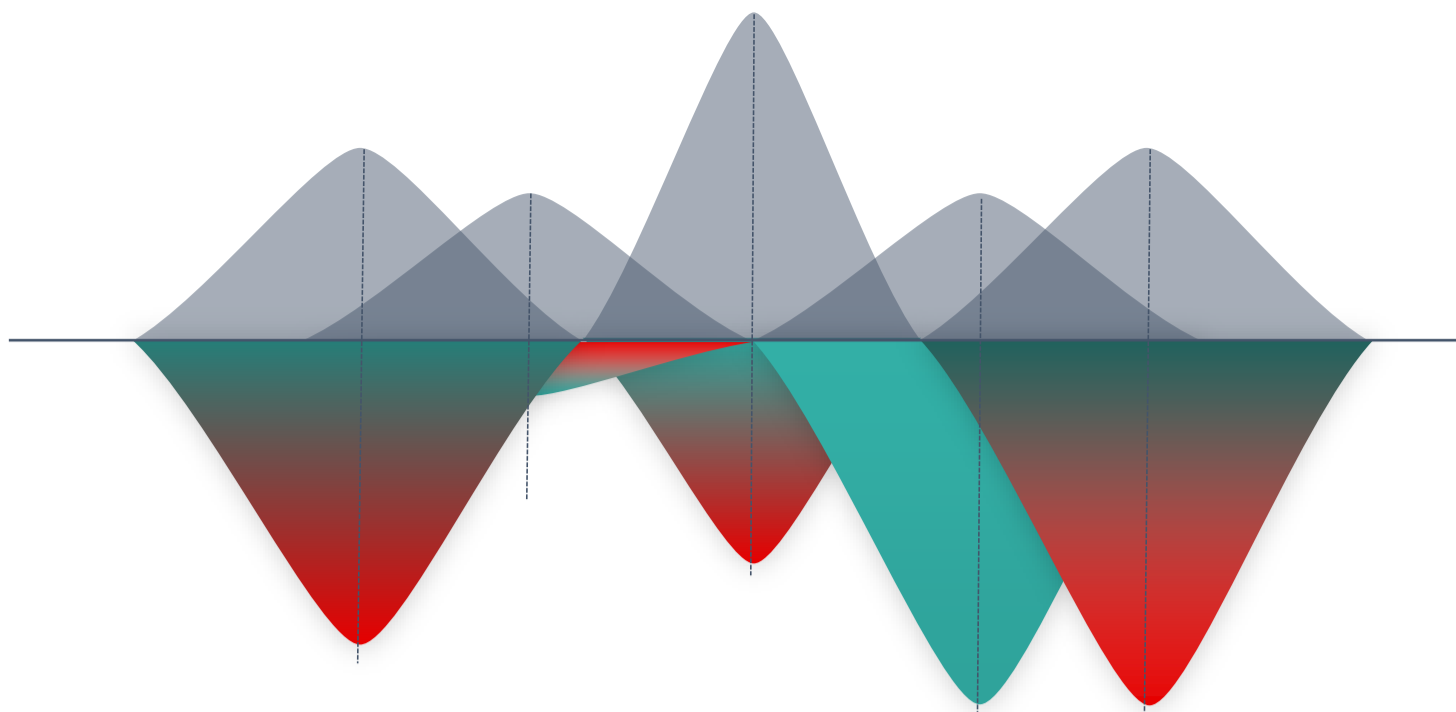
B.04 China was the first country to identify the COVID-19 virus. Therefore, customers in other countries may associate the virus with China, in particular as rumours spread easily via social media and some irresponsible news media also seek to benefit from the attention that panic tends to generate.

Knowledge about COVID-19 is continuously increasing, but there are still a number of uncertainties that can lead to anxiety. This anxiety also can affect your buyers. Some anxiety may be “irrational”, and some may be “reasonable”.

For example, there is emerging research which indicates that corona viruses can persist for up to 9 days on inanimate surfaces (e.g. glass, metal, plastic) [Kampf et al. In Journal of Hospital Infection, <https://doi.org/10.1016/j.jhin.2020.01.022>] and which proposes how to efficiently inactivate these viruses on such surfaces. This could have implications for the acceptance of any products you are exporting abroad. Buyers may want to know what procedures you have used to ensure that COVID-19 did not contaminate the inanimate elements of, for example, household electrical appliances, refrigerators, or any product with an outer shell made of plastic or metal (or which procedure you used to inactivate the virus). Otherwise, they may put the product on quarantine or select a product from a country that is not associated with COVID-19 when they cannot wait.

It is therefore important that you not only keep up with the emerging knowledge on the virus, but that you also effectively communicate to your customers that you are on top of the issues and how you are dealing with them. Ideally, you should be able to answer their worries before they need to raise their questions. The better you are at doing this, the more likely customers will have confidence in ordering your products.





## TAKING STOCK: WHERE DOES YOUR BUSINESS STAND IN THE WAKE OF COVID-19?

# 2021

### 2.3.1 Staying afloat: FINANCIAL POSITION <sup>4</sup>

- Did you determine available cash? <sup>5</sup>
- Do you have sufficient cash (such as cash, cash at bank, recoverable money owing from customers) to cover debts due and payable in the next few months?
- If needed, can your stock be easily converted into cash to pay your debts?
- Does your business have adequate assets to cover all financial commitments including long-term debts?
- Will your assets satisfy the typical collateral requirements of banks?
- Do your customers pay your bills on time?
- Are you paying your suppliers on time?
- Are you paying employees on time?
- How will your net cash flows (in-flowing cash minus out-flowing cash) be affected by the level of sales you are generating and by delays in payment by your customers?
- Are there any potential short-term liquidity gaps (where cash outflows exceed inflows) to be bridged during the course of the next 12 months? How can they be bridged?
- Did your business generate adequate cash flow prior to the COVID-19 disaster?
- How do you expect COVID-19 will affect your cash flow?

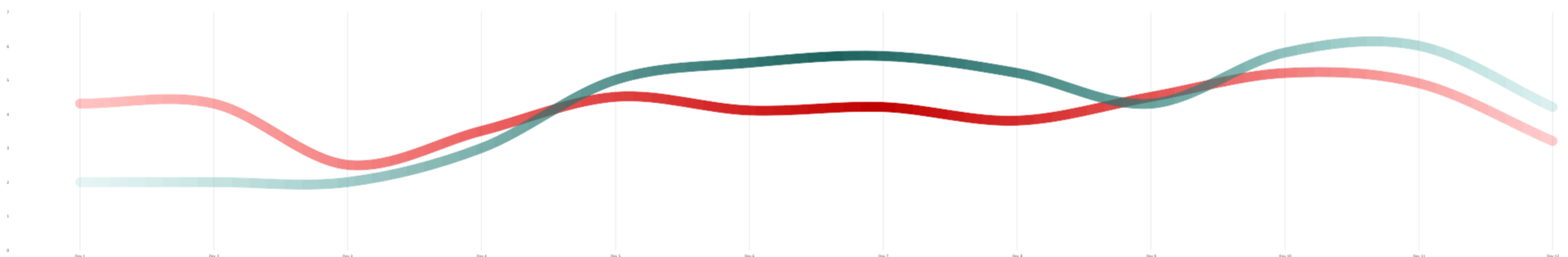
<sup>5</sup> This information is of vital importance for recovery. If you need assistance with these questions, do get it (e.g. from your accountant, from a trusted business adviser, old friends, or possibly from your bankers).

<sup>6</sup> See Annex A.1.3 for templates on aged accounts payable, receivable and sales charts to determine available cash.

## 2.3.2

### Watching the tides: MARKET CHANGES

- What is the status of current forward orders (orders for the next 12 months)? Do you expect any cancellations?
- Did you analyze the potential demand for your product or services following COVID-19?
- Has COVID-19 already led to other businesses in your location or in your sector to close business?
- Are any of your key customers affected by COVID-19 and, if so, will this have any impact your business?
- Are any of your key suppliers affected by COVID-19 and, if so, will this have any impact your business?
- Did you review the whole supply chain for your products, from the sourcing of raw materials to the delivery of the final product to the customer? Any bottlenecks or difficulties to be expected?
- Are there opportunities to place new products and services that fulfill new demand in the market following the COVID-19 epidemic?
- Are there opportunities to intensify collaboration with your suppliers following the COVID-19 epidemic in order to raise the value of your products to your customers?
- Are there opportunities to collaborate with your competitors following the COVID-19 epidemic?



## B.05

### “Coopetition”



*Businesses can benefit from cooperating with their competitors in certain circumstances. For example, it is meaningful to cooperate with your competitors in order to reduce reputational risks that threaten the whole industry or a specific region, to support new technology development (by sharing uncertain returns and pooling knowledge), to develop shared standards for businesses within an industry or in a specific region, and also to communicate effectively with government on policies and regulations.*

## Knowing what can affect your course: Overall conditions before and after COVID-19

- Is your business vital to the community (e.g. key markets, electricians, pharmacies, local food production and catering)?
- Is your business the type that everyone needs to deal with the COVID-19 epidemic (e.g., production of personal protective equipment such as goggles, respiratory masks, surgical masks, protective clothing; other medical supplies; vaccines and pharmaceutical products; hygiene products and disinfectant) or to improve overall protection (e.g. equipment production such as sneeze guards, drive-through counters; air conditioning equipment; negative pressure ventilation; laboratory equipment; medical equipment)?
- What was the general economic situation (“economic climate”) in your location before the COVID-19 epidemic? What is the general economic situation in your location following the epidemic?
- Are you keeping up with your competitors in the industry?
- Can your business change easily to react to outside forces? Is it adaptable to change or does it cater to a narrow product range with considerable cost of change?
- Will you be the first business to reopen in your area or sector?
- Can you afford to wait to reopen and still be viable when you do?
- Does your staff have the skill set required to perform on their jobs?
- Do you have the right level of staffing?
- Does your technology need updating?
- Is your pricing, service etc. competitive?
- Are you adequately insured?
- Do you know of any emerging threats (negative factors outside of your control) to the business (e.g. new competitors, breakdown of supply chains, new market barriers in other countries, discrimination of sales representatives with Chinese appearance)?
- Did you discuss developments with other businesses in your industry or region?



## B.06 Using a “SWOT” analysis to assess overall conditions

There is a simple tool that can help to differentiate the quality of different factors that affect your overall conditions and to communicate about these factors. As the different factors can change in the wake of a disaster, it is also good to repeat or update any SWOT analysis that you may have already conducted before the disaster.

A SWOT analysis distinguishes between “positive” and “negative”, and between “internal” and “external” factors. “Positive” and “negative” is meant in relation to the performance of your business. A positive factor improves (or can be seized to improve) your performance, a negative factor diminishes your performance. “Internal” and “external” relate to your business. An internal factor is a factor that is under your direct control and an external factor is a factor that is outside your control. These distinctions are very important in practice because you need to be sufficiently clear about what you can achieve on your own and where you depend on others.



The SWOT analysis usually consists of a chart with four fields. Even an unweighted distribution of the different factors across these fields already gives you an idea about the overall setting. When conducting SWOT analyses, it is good to involve your staff because the analysis is enriched by combined knowledge. All perspectives combined may also lead to the identification of new business opportunities and raise awareness about risks.

An example of a SWOT is provided in annex [A.1.4](#).



While medium and large scale businesses may be guided by overall strategies and draw a lot of strength out of their own structure, micro and small enterprises more typically are owner-managed or depend closely on the owner and the family of the owner even if some functions are delegated to dedicated managers. Although there are also important owner-managed medium and large scale enterprises, many small businesses effectively depend on the management of operations by their owners.

As your financial position is determined, your new market developments and the overall conditions are becoming clear, it is therefore important to step back for reflection. Not only is the ability and readiness of employees an important factor, but the ability and readiness of you as the owner cannot be neglected because your entrepreneurial spirit has underpinned the success of your business up to the point COVID-19 has interfered with operations.

- Were you happy running your business before COVID-19?
- Were you making the profit you wanted?
- Do you prefer being your own boss?
- Are you good at managing employees?
- Did you consider other opportunities to earn a livelihood?
- Did you consider opportunities of running a different business?
- Did you have an exit plan (e.g. related to age or health) before COVID-19 struck?
- Did you already identify a successor?
- Are you prepared for the potential extra demands that recovering your business will place on you, both personally and financially?
- Are you willing to take on more debt (be it with family and friends or lenders)?
- Can you afford to continue to run the business while your business is recovering?
- What would you do if you did not reopen?

All of these questions should culminate in what may be the toughest decision for you to take: Should you reopen business following the crisis?

The questions are not at all meant to discourage you to reopen and/ or continue your business. In fact, some owners will be inclined to skip these questions altogether because they are in no doubt they are going to move forward.

However, every owner should consider these questions in order to protect themselves from possible overstretch that cannot be afforded or sustained. In the end, situations vary between individuals and families, and they also change during the cycle of life. Stepping back to properly reflect therefore is highly recommended.

If your decision to continue with your business is positive, then proceed to planning recovery.

## B.07 Exiting your business

There is no disgrace in exiting from business, especially in the wake of a disaster like an epidemic. It is a fully legitimate business decision, just like a decision to drop a certain product line or add a new product line is.

Reasons for exiting could be many, and sometimes there are a combination of reasons. They include but may not be limited to:

- ill health of owners or key employees
- insufficient cash flow
- too much debt to service
- insufficient funds to restart or restructure operations
- inability to adapt to changes in the market or the business environment


There are several ways that owners may exit their business:

- passing the business on to a family member, a business partner, an employee, or a group of employees
- merging the business with another business
- selling the business
- closing the business (selling assets and discontinuing operations)
- liquidation (filing for bankruptcy if COVID-19 has dealt too strong a blow to viability)

For exiting decisions, do consult with your accountant, business adviser or service centres to find the best solution.

## RECOVERY PLAN

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-  • Did you define your business recovery objectives, actions and priorities? <sup>6</sup> Do they align with your personal objectives?
- Do you plan to continue to operate on the same business model as before COVID-19? Will your recovery plan include activities to improve your performance on the same business model after COVID-19? Or will you change your business model after COVID-19?
- Are you basing your plan on historical data or are you working on the basis of changed markets and business environment after COVID-19?

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<sup>6</sup> See Table T.03 above. Your recovery plan will essentially have the same structure as your first list of immediate actions. It is actually the continuation of this list, but with a clearer vision of the future and a deeper understanding in which direction to move on. The recovery plan should normally become a more robust and elaborate planning document.

- If you seek to implement major changes or expand, do you have sufficient staff and space for that purpose?
- Are you clear about your assumptions for future developments of the market and the business environment?
- Will your suppliers be able to go along with your plans?
- Are you making use of lessons learned from running your business prior to COVID-19 into your recovery plan?
- Did you establish a recovery team with clear responsibilities for all elements of the recovery plan? Did you calculate the cost for each element in your recovery plan?
- Should you and can you adopt new technologies and processes? Will this affect equipment needs? If so, should you sell old or buy new equipment? Did you consider leasing equipment you need? What are lead times to install new equipment?
- Can you reduce operating costs?
- Will you add new product lines or remove existing product lines?
- Will you add new services or reduce existing services?
- Do you have adequate resources (staff, finances, etc.) to bring the business back to normal operating levels?
- Will you need additional employees or fewer employees? Will you need different employees, different skills?
- Is it possible for (some) employees to work off site? Do you want to increase the share of home-based work following the experience with COVID-19?
- Which financial goals (e.g. net profit margin, return on investment) do you want to achieve over the coming 12-36 months?
- Which social or community-related goals do you want to achieve?
- Are you considering local, province, and national level development plans as well as existing and new policies for your industry or region?
- Do you have a marketing strategy (and respective resources) for your post-COVID-19 business?
- Do you have a list of all the requirements to reopen your business?
- Did you calculate the full cost of implementing your recovery plan?<sup>7</sup>

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<sup>7</sup> See Annex A.1.5 for a template to calculate cost of reopening.



- Can you afford to reopen your business? Can the money be found if it would be affordable (for example from returns obtained over the next 12-36 months)?
- Did you complete forecasts for cash flow and profit and loss?
- Do your forecasts and your financial statements show whether the business can afford to use internal or external sources of financing to fund the reopening?
- If your forecasts and your financial statements do not show you can afford recovery as planned, can you adjust your recovery plan so that it is affordable?
- Did you run sensitivity analyses on your forecasts (i.e. run different scenarios to calculate how your cash flows and profits would be affected by factors you cannot control, for example, if prices asked by suppliers changed, if COVID-19 returned from outside the country, if hikes in import tariffs were imposed on your products by other countries)?
- How do you intend to fund the reopening of your business: from existing business sources, your own resources, other investors, banks, lenders, or a mix?
- Did you review all existing debt-financing arrangements to ensure that the financing structure fits the new needs of your business?
- Did you think about buying insuring any risks? Did you find any suitable insurance packages for the risks your business is dealing with?
- Have you spoken to your bank about your recovery plan and your funding needs?
- Can existing lines of credit be accessed (and increased if necessary) to fund the reopening of the business?
- What collateral do you have available to offer?
- If you are seeking debt financing, did you properly determine what you will be using the money for, for what amount of time you need a loan, and what is the total amount you will need?
- Can you finance the reopening of your business from your own resources?
- Can you access money from other sources than banks (e.g. family members, friends, other business partners)?







If you can secure funding and affordable finance for your recovery plan, you can proceed to reopening. If funding and financing do not match the needs of your plan, you cannot reopen. Where there are significant gaps between dreams and means, i.e. between what you need to implement your plan and the funding and finance that you are able to mobilize, “compromise” needs to be found.

Finding a viable compromise may be an iterative process where you reassess different options for recovery and the cash flow they generate and hold them against their cost until you find an option that is both technically feasible, realistic or robust with a view to what the market will take, and can secure sufficient funding and finance.

Only if such a stage is reached, you should proceed to reopening your business.


## REOPEN

# 2.7




### 2.7.1

## Employees


-  Did you take a look at the jobs that existed before and verify whether your needs are the same following COVID-19?
- Did you match job descriptions with existing or rehired employees?
- Did you write job descriptions and begin the hiring process for new employees?

### 2.7.2


## Location

-  Are your needs following COVID-19 being met by the current location?
- Is it big enough (e.g. because you want to make use of new opportunities)? Is it too big now (e.g. because you have made arrangements for a larger share of employees working from home, because you decided to drop a production line)?
- Is the layout suitable for your recovery?
- Is the existing ventilation and/ or air conditioning system able to ensure the occupational health of your employees?
- Is the time right for renovations or changes in layout that you already had planned before the COVID-19 epidemic began?


### 2.7.3 Equipment

-  • Given the overall situation or changes you are planning after COVID-19, should you replace or add any equipment?
- What are your estimates for installation waiting and training time on new equipment you expect to use?
- Is it better to buy or to lease the new equipment?
- Is there used equipment that should be sold? Are there potential buyers or will the equipment need to be scrapped?

### 2.7.4 Inventory

-  • Did you review inventory needs in line with your recovery plan? Do you still need the same inventory? Do you still need the same amounts?
- Is there inventory that is not required for your recovery and could be sold or needs to be scrapped?
- Are there new items you need to keep?

### 2.7.5 Marketing


-  • Did you assess the effectiveness of your marketing efforts prior to COVID-19? What messages did you send? Did you get value for money? Did it work at all?
- Will COVID-19 influence the messages that you will send to your (potential) customers?
- Will you use the same channels for marketing as prior to COVID-19?
- Did you establish the cost for marketing? Does the recovery plan include marketing and an appropriate budget for it?
- Will it make sense for you to organize any reopening event (e.g. if you are introducing important changes after COVID-19)?
- Are there any promotional campaigns or events organized by government following the COVID-19 epidemic that you could participate in to send your marketing messages?

## 2.7.6 Pricing



- Did you undertake break-even analyses for your products or remunerable services to determine whether the prices you charge are allowing you to make the profit you want to achieve?
- What are the minimum sales you should reach and during which time span to cover the costs of your business?
- Did you compare your prices with your competitors? Did they adjust prices following the COVID-19 epidemic?
- If you are exporting, are changes in import tariffs affecting your sales volume in the countries you are exporting to?

## 2.7.7 Other matter

-  Are your licenses up to date? Any new licenses required if you are introducing the changes foreseen in your recovery plan?
- Anything else you forgot?



# ANNEX

## A.1 Templates and examples



### A.1.1 Damage assessment (template)

DAMAGE ASSESSMENT			
Item damaged or destroyed	replacement or repair cost estimate	insured?	proof of damage (e.g. photograph number, surveyor statement)
	CNY _____	yes / no	
	CNY _____	yes / no	
	CNY _____	yes / no	
<b>Total</b>	CNY _____		
<b>Of which insured</b>	CNY _____		



### A.1.2 Current personal needs (template)

YOUR CURRENT NEEDS	
Personal expenses by item	Monthly (average) amount in CNY
Food (groceries)	CNY _____
Meals (ordered and in restaurants)	CNY _____
Spirits (gifts and consumed)	CNY _____
Tobacco products (gifts and consumed)	CNY _____
Mortgage payments	CNY _____
Apartment administration fees	CNY _____
Heating	CNY _____

## YOUR CURRENT NEEDS *(continued)*

Personal expenses by item	Monthly (average) amount in CNY
Water and sanitation	CNY _____
Electricity	CNY _____
School fees (tuition, materials)	CNY _____
Medical expenses (whole family)	CNY _____
Domestic helper (salary)	CNY _____
Clothing	CNY _____
Other household items	CNY _____
Household maintenance and repairs	CNY _____
Phone and internet charges	CNY _____
Insurance (health, life, medical...)	CNY _____
Savings, retirement	CNY _____
Transport (public and private, including private vehicle)	CNY _____
Taxes	CNY _____
Miscellaneous expenses	CNY _____
Allowances for parents (including housing cost if applicable)	CNY _____
Allowances for other relatives (e.g. younger brother, sister)	CNY _____
...	...
<b>Total (sum)</b>	CNY _____
Other incomes, e.g. from renting out property (subtract)	CNY _____
Other family member contributions (subtract)	CNY _____

### A.1.3

## Aged accounts payable, sales charts and respective accounts receivable (template)



### AGED ACCOUNTS PAYABLE (amounts due in CNY)

Suppliers	Month 1	Month 2	Month 3	Month >3	Total
Supplier A	CNY _____		CNY _____		CNY _____
Supplier B	CNY _____	CNY _____	CNY _____	CNY _____	CNY _____
Supplier C		CNY _____		CNY _____	CNY _____
Supplier D		CNY _____	CNY _____		CNY _____
...	...	...	...	...	...
<b>Total (sum)</b>	CNY _____	CNY _____	CNY _____	CNY _____	CNY _____

### AGED SALES FORECAST (amounts in CNY)

Customers	Month 1	Month 2	Month 3	Month >3	Total
Customer W	CNY _____		CNY _____		CNY _____
Customer X	CNY _____	CNY _____	CNY _____	CNY _____	CNY _____
Customer Y	CNY _____	CNY _____		CNY _____	CNY _____
Customer Z		CNY _____		CNY _____	CNY _____
...	...	...	...	...	...
<b>Total (sum)</b>	CNY _____	CNY _____	CNY _____	CNY _____	CNY _____

### AGED ACCOUNTS RECEIVABLE (amounts due in CNY)

Customers	Month 1	Month 2	Month 3	Month >3	Total
Customer W	CNY 0.00	CNY _____	CNY 0.00	CNY _____	CNY _____
Customer X	CNY 0.00	CNY _____	CNY _____	CNY _____	CNY _____
Customer Y	CNY 0.00	CNY _____	CNY _____	CNY 0.00	CNY _____
Customer Z	CNY 0.00	CNY 0.00	CNY _____	CNY 0.00	CNY _____
...	...	...	...	...	...
<b>Total (sum)</b>	CNY 0.00	CNY _____	CNY _____	CNY _____	CNY _____

## A.1.4 SWOT analysis (example)

### POSITIVE

#### STRENGTHS

Well-trained staff, many of them employed by the business for more than 10 years  
50% of workforce from out of town, all dedicated and reliable, mainly from the same country in province XYZ  
one of the leading businesses in the area, with an established name  
strong relations with customers, built over almost two decades  
80% standing orders, no marketing cost  
skilled and experienced chief engineer, essentially able to solve all operation problems  
sizeable transport section, capable of ensuring deliveries to customers at all times  
good personal relationships by owner-manager with customers and suppliers  
good personal relationships with city mayor

INTERNAL TO YOUR BUSINESS

### NEGATIVE

#### WEAKNESSES

Increasingly obsolescent equipment, noticeable increases in downtime  
Operating at maximum capacity  
Limited space to expand, "crowded" factory layout  
Narrow product range

#### OPPORTUNITIES

Increasing world market demand for products manufactured by key customers  
traders in country DEF are happy to relabel products manufactured by key customers as "made in DEF" against a processing fee for onward export to country GHI  
Belt-and-Road Initiative has cut delivery time to Europe by 20 days for key customer (delivery by train instead of sea transport)  
owner's son successfully enrolled in marketing college in country ABC in 2019  
owner's niece has become famous by maximizing the duration of her participation in a TV match making show without actually marrying and can operate as an effective advertisement tool to promote the business

EXTERNAL TO YOUR BUSINESS

#### THREATS

Key customers have lost business to competitors from country JKL due to increased import tariffs in country GHI  
local competitors have recently managed to produce some of our products by using plastic instead of aluminum framing while meeting all the technical specifications of one of our key customers



REOPENING COST ESTIMATE				
NO.	ITEM	REFERENCE IN PLAN	COST IN CNY	REMARKS
1	Cleaning and disinfection	n.a	CNY _____	Precondition for return to premises
2	Removal and disposal of expired stocks	n.a.	CNY _____	Discovered during first inspection
3	Purchase of disinfectants	n.a.	CNY _____	Based on expected monthly consumption (cf. separate hygiene plan)
4	Purchase of personal protective equipment	n.a.	CNY _____	Following calculation of effective needs based on exposure risks (cf. exposure assessment).
5	Refurbishing of on-site accommodation for employees from out of town, including replacement of previous sanitary facilities and kitchen	n.a.	CNY _____	Decision following review of alternative accommodation cost and inspection of sanitary conditions
4	Meeting cost with customers and suppliers	3, 4, 12	CNY _____	Travel cost including small gifts and catering
5	Purchase of 8 mobile fans	5	CNY _____	Prepaid but not yet received
6	Small materials, filters, and pipes to increase air velocity	5	CNY _____	Work completed. Tuning in process.
7	Cost for designing, manufacturing and installing sneeze guards	6	CNY _____	Design: cost for external expert. All other cost internal.
...	...	...	...	...
23	Advertisement for reopening	55	CNY _____	Billboards. Local trade fair participation. Special reception for key customers.
24	Collective transport of employees from out of town.	72	CNY _____	Decision taken following individual travel complications in Province B County V.
25	Website overhaul	11	CNY _____	Delay because student contracted unexpectedly had to take care of family members infected.
...	...	...	...	...
	<u>Total cost before opening</u>		CNY _____	





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**GUIDANCE FOR MICRO, SMALL,  
AND MEDIUM ENTERPRISES  
BUSINESS RECOVERY**  
in the Wake of the COVID-19 pandemic



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