

PIFB Newsletter

Spring Edition: COVID-19 Special Issue

COVID-19 Special Issue

There is no doubt that during this unprecedented time, you are feeling some unease stemming from the pandemic, whether it is at home, at your business, or both. This special edition newsletter is geared to aid your business through this difficult time. The focus of this newsletter is resiliency and sustainability for farms, family businesses, and small businesses. [Please continue to check our website as we will be continually adding resources, upcoming events, and other relevant updates.](#)

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PIFB Director Dr. Maria Marshall (left) and Family Business Management Specialist Renee Wiatt (right)

In a survey of Indiana produce growers conducted in April 2020, we found that 72% of them are planning to sell online. Their online strategies range from sales through: emails, texts, e-commerce enabled websites, or online platforms that aggregate food vendors and buyers. The other 28% felt they lack the technical knowledge to transition online strategies.

If you are planning to integrate online sales, starting or boosting your social media presence is great place to start. Having a strong social media presence will help you stay in touch with customers and also maintain and build relationships. This publication provides 3 steps that you can take today to manage your social media marketing during social distancing.

1. Communicate, communicate, communicate!

Thoughtful and frequent communication with customers is probably one of the most important tasks that you have right now. During normal circumstances, I would recommend you to post a few times a week on your preferred social media platform. These posts will help you increase brand recognition, draw new customers, and improve loyalty. While these are still true, you may have to increase your posting to daily in order to maintain contact with customers. Examples of your posts include changes in products or services, working hours, what measures are you taking to keep everyone safe, and instructions on how to place orders, pay, and pick-up/receive orders. You also want to proactively share important information about

your business and operations using other platforms such as emails, your website, and mail marketing.

2. Set up your page Inbox on Facebook

As more people spend more time on social media, it is of utmost importance to communicate to your customers that you are open by: responding to comments, engaging in conversations, and having other interactions. Setting up your Facebook Page Inbox allows you to read and respond to messages received via Facebook Messenger or Instagram Direct, as well as reply to comments and FAQ from your followers. A very useful tool of Inbox is to automate responses, especially to questions that come up frequently. You can customize Instant Replies to greet customers, give information about your business, or let them know that you will be reaching out soon.

3. Take your events online

As many events cancel due to social distancing, you can creatively turn lemons into lemonade. One example is to organize live sessions on social media platforms such as Facebook and Instagram. If you want to create a more engaging experience, you would want to make sure that you are using a high-quality camera and/or microphone for your live sessions. You can also invite your followers to attend an online webinar and encourage speakers to check in with your attendees every 15 minutes. In addition to these virtual event tools, it is important to keep attendees engaged by using Q&As, chat boxes, and polling sections to keep your attendees attentive and feeling included.

SBA Help for Small (and Family) Businesses

Renee Wiatt & Maria I. Marshall

The U.S. Small Business Administration (SBA) has options for businesses that have been disrupted or otherwise affected by the COVID-19 pandemic. The pandemic has caused business disruption or economic injury for many businesses. The pandemic has altered normal business operation as well as access to employees and customers, ultimately resulting in loss of sales. The President has signed the CARES (Coronavirus Aid, Relief, and Economic Security) Act into law. The CARES Act provides potential relief for employees and businesses. The CARES act and its four main provisions through SBA are further explained at the end of this article.

The CARES Act contains four main provisions, explained as follows:

1. The [Paycheck Protection Program](#) (PPP) allows em-

ployers to keep paying employees. An added incentive of the PPP is that “SBA will forgive all loans if all employees are kept on payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities”. Obligations starting as of February 15, 2020 are eligible to be covered.

- a. Application timeframe: April 3rd, 2020 - June 30th, 2020. Funds are dispersed on a first-come-first served basis.
- b. Independent contractors and the self-employed can apply as of April 10th.
- c. Who can qualify: Small businesses with less than 500 employees (from sole proprietorships to LLC’s, non-profits, Tribal businesses, and veterans organizations).

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- d. Extra details: Loans will be fully forgiven if the loan is used for qualifying expenses (payroll, mortgage interest, rent, and utilities). At least 75% of the loan amount must be applied toward payroll for loan to be fully forgiven.
 - e. The loan needs to be repaid in two years and has an interest rate of 1%.
 - f. Application sites: Include but not limited to an existing SBA 7(a) lender, federally insured depository institution, federally insured credit union, Farm Credit System institution, and other regulated lenders as they are approved and enrolled.
2. [Economic Injury Disaster Loan Emergency Advance](#) is a loan advance program that can provide up to \$10,000 of economic relief to businesses that are being affected by COVID-19.
 - a. Who can qualify: Businesses with fewer than 500 employees and those businesses with over 500 employees if they meet SBA's size standards for their given industry.
 - b. Extra details: Funds can be made available within days of an application being submitted. This loan advance does not need to be repaid.
 3. The [SBA Express Bridge Loan Pilot Program](#) is available for small businesses that have an urgent need for cash. The loans can be up to \$25,000.
 - a. Who can qualify: Small businesses with an already-established relationship with an SBA Express Lender.
 - b. Extra details: These loans provide quick funds to help small businesses overcome a temporary revenue loss. The loan will eventually be repaid in full or partially by the EIDL loan (Economic Injury Disaster Loan, mentioned above).
 4. [SBA Debt Relief](#) is a program to provide a break from SBA debt repayments.
 - a. Who can qualify: Small businesses with SBA loans (current 7(a), 504, and microloans) that are under "regular servicing" status as of March 1st, 2020.
 - b. Extra details: SBA will pay principal, interest, and fees for six months for current SBA loans. In addition, SBA will pay principal, interest, and fees of new loans issued before September 27, 2020. Under the six-month period, interest will continue to accrue.

After knowing that the CARES Act contains, small businesses should have two main questions: 1) Has SBA assistance helped businesses in the past? and 2) If so, by how much did the assistance help? Tomoko Hiramatsu and Maria Marshall explored the impact of SBA disaster loans following Hurricane Katrina. They found that when a business received a SBA disaster loan, that business was positively affected in both objective and subjective business performance (i.e. perceived success and percent change in revenue from before to after Hurricane Katrina). Overall, disaster loans did help businesses to recover from Hurricane Katrina.

References

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- U.S. Small Business Administration. Coronavirus relief options website: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>.

Which Industries and States are Most Successful in Securing Paycheck Protection Program (PPP) Loans?

George Haynes

This study examines the allocation of Paycheck Protection Program (PPP) loan amounts distributed by the Small Business Association (SBA) through April 16, 2020 and compares this distribution with loan amounts *potentially* available if all firms in the industry solicited PPP loans.

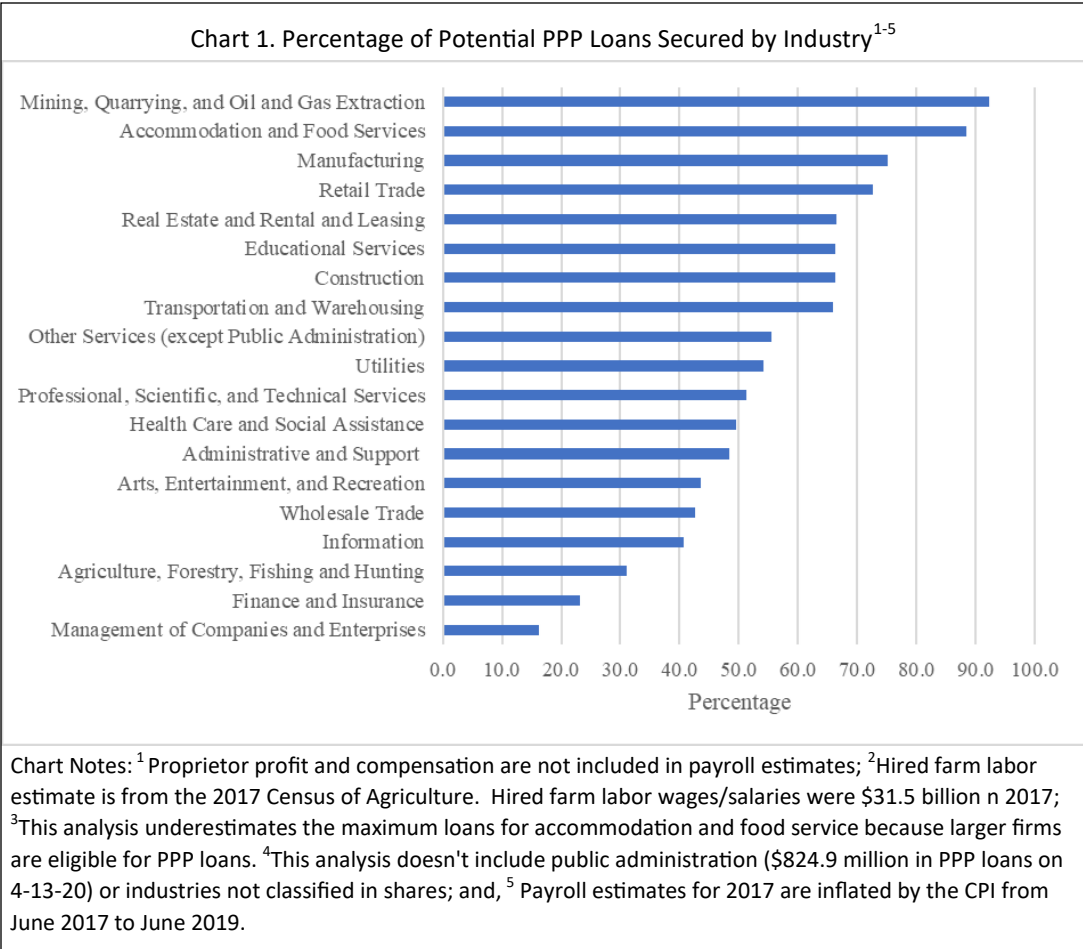
Chart 1 (next page) shows the SBA's distribution of PPP loans as a percentage of the PPP loan amounts potentially available by industry. Mining, quarrying, and oil and gas

exploration, accommodation and food services, manufacturing, retail trade, and construction have been allocated the highest percentage of potential PPP loans. These industries have secured over 65% of the potential PPP loans available to them. In addition, these five industries have secured over 40% of the total PPP funds allocated by the SBA as of April 16, 2020.

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Firms in other industries, such as finance and insurance, and management, have secured less than 25% of the potential PPP loans available to them.

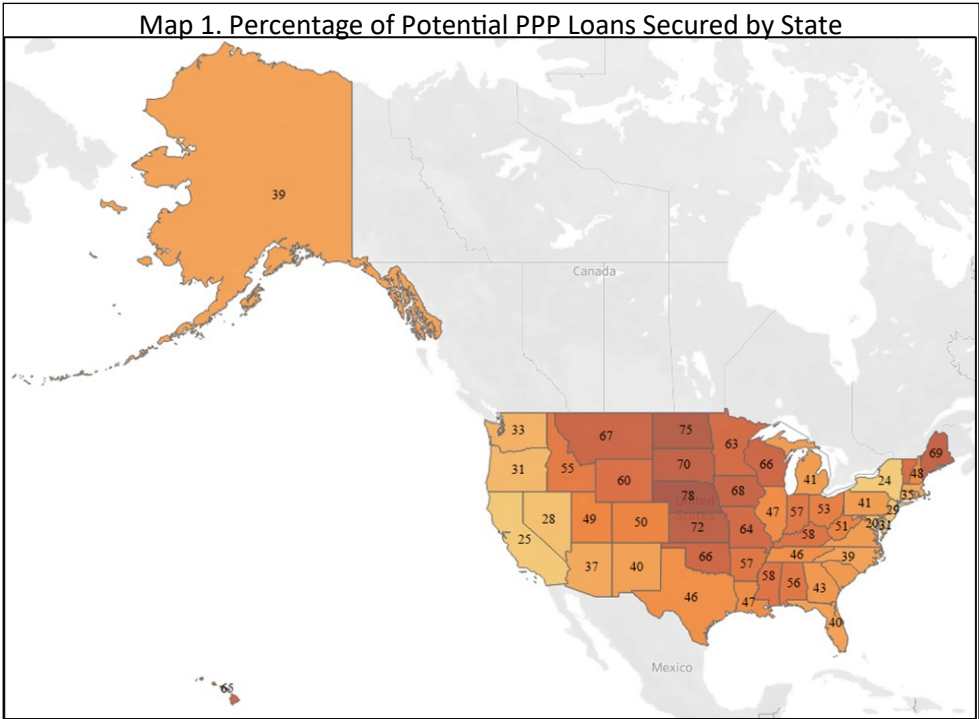


Map 1 (below) shows the SBA's distribution of PPP loans as a percentage of the PPP loan amounts potentially available by state. Less densely populated states (such as Nebraska, North Dakota, and South Dakota) have secured over 70% of the potential PPP loan funding. More densely populated states (such as California, New York, and New Jersey) have secured less than 30% of the estimated maximum PPP loan funding.

The percentage of loans secured differ substantially across industries and states. When considering differences by industry, it's apparent that larger-sized small businesses (and some with more than 500

employees) were more likely to secure PPP loans. In addition, it's likely that small businesses in some industries were less likely to be impacted by the COVID-19 outbreak and did not apply for PPP funding.

When considering differences across states, it is possible that small businesses in states experiencing earlier and more severe COVID-19 outbreaks faced challenges initiating loan requests. In addition, small businesses in less populated, rural states may have better relationships and more access to their lenders, who could help them process the PPP loans. When these borrowers and lenders can be interviewed after the COVID-19 outbreak has passed, we will know much more about differences across industries and states.



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Methods: The maximum PPP loan distributions are estimated using the Statistics on U.S. Businesses (SUSB) for 2017 and 2017 Census of Agriculture, then inflating these payroll estimates by the consumer price index from June 2017 to June 2019. The SUSB payroll statistics do not include wages and benefits for production agriculture; hence, hired labor payroll estimates from the 2017 Census of Agriculture were added to this analysis because agricultural producers are eligible to apply for PPP funds.

References

Statistics on U.S. Business. 2017. 2017 SUSB Annual Data Tables by Establishment Industry. Accessed at: https://www2.census.gov/programs-surveys/susb/tables/2017/us_state_naicssector_small_emplsize_2017.xlsx?#.

Navigating a **crisis** You Didn't Ask for

Holly Schrank & Anna Josephson

Life has crises, and most of us are faced with more than one crisis during our lifetimes that we didn't ask for - in addition to those crises that might have been self-induced or initiated by someone close to us. As an undergraduate, I (Holly) remember sitting in an auditorium full of students and faculty hearing about preparations for when the atomic bombs were dropped on our country (remember the Bay of Pigs?). As a first-year teacher, my pay was in the form of scrip because of a state finance crisis; we also had a race riot and a teacher strike within our system, and many of our students lost their homes because of a tornado. As a graduate student, I experienced rioting, tear gas, and a complete shut-down of my campus during the Kent State crisis. Then, about ten years ago, I attended a think tank session at Sagamore Institute in Indianapolis where a health expert spoke about the likelihood of a coming pandemic. It was a pretty scary scenario; I knew what could be coming someday and what might be needed for my household and working life in order to manage the crisis...and so I planned for it.

This is to say that we all face multiple crises during our lifetimes. Crises are inevitable. Some are catastrophic, some are costly, some change our futures in ways we didn't anticipate, and others are merely inconvenient for a while. What they all have in common is: 1) the potential to deal a swift and potentially fatal blow if we are not prepared for them and 2) they bring change to which we must adapt. The present pandemic is a good example.

A common problem with crises is that we do not always know they are coming, and we often assume that once they end, everything will go back the way it was. But the future is rarely the same as the past, whether we have a crisis or not. We have to learn how to change and adapt

to better 'roll with the punches', as individuals, families, and businesses.



Recently, a team led by Maria Marshall studied how small businesses fared after Hurricane Katrina and how their characteristics, preparation, and post-Katrina strategies influenced their outcomes. As team members, we have learned a few things from the experience of the business owners who experienced Katrina, as well as from our own experiences over time. The purpose of this article is to translate that knowledge and experience into suggestions for family business owners about planning, preparing, and reacting to a crisis you didn't ask for.



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There is nothing like a pandemic to bring out the weaknesses in your organization's planning. This pandemic is raging all around us right now. Most of you are probably operating at a significantly reduced level, if at all. At a minimum, you are probably dealing with social distancing that is impacting your operations and sales. Most of you are probably practicing some level of social distancing to protect yourselves, your loved ones, and your employees. Some of you may be producing a different product than you were a month ago, or have had to ramp up production because of higher demand. Some of you may have employees, family members, or customers who are sick. Did you want this? Of course not? Did you plan for it? Maybe, but probably not.

Based on our research from Hurricane Katrina's small businesses, let us look at these important considerations and questions to help you plan for the future:

- 1) What is your vulnerability to a crisis?
- 2) What is at risk and what can you lose?
- 3) What pre-existing characteristics make your organization more vulnerable? and
- 4) What strategies you can implement to help your business weather a crisis with less damage?



What is your vulnerability to a crisis?

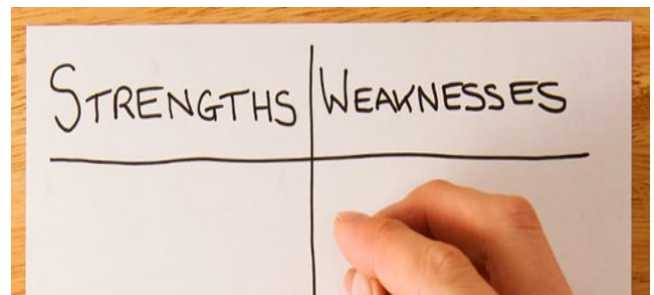
Assess your vulnerability. What are some things that could negatively impact your business? There are many possibilities: natural disasters such as a hurricane, tornado, flood, earthquake, drought, or wildfire; accidental crises such as a structure fire, broken pipes, delivery truck accident, or death of a key person in your business; a sharp drop in customers such as restaurants and most businesses are currently experiencing; you could get sick; unplanned events such as shortage of supplies and parts, loss of a key supplier, employee theft, some type of government action that handicaps your business

operations, or a pandemic. What are the threats your business could potentially face? Make a list of those things that could shock your business.

What is at risk and what can you lose?

Once you have a list of threats, think about what you have to lose. If your business experienced any of the previously mentioned threats, what customers, assets, operations and capabilities could be impacted? What supplies, inventories, equipment, or business records could be affected? What would be needed for you to continue to do business? What expenses would you have and how would you pay the bills? Can you retain your employees? Could your business weather an extended shut down like we are experiencing with the COVID-19 pandemic and may experience again before the pandemic ends?

Not every business faces the same threats and not all threats will impact you in the same way or to the same degree. However, no business is bullet proof and it is risky to assume that yours has nothing to lose. To assess your risks, make a list of all the potential losses your business could face.



What pre-existing characteristics make your organization more vulnerable?

Consider the pre-existing characteristics of your business. Our research shows that size matters. The smaller your business and the less management structure it has, the less likely it is to survive a serious blow. Smaller businesses tend to have fewer financial and human resources to draw on in times of crisis. They are also less likely to qualify for outside financial assistance (often because they can not demonstrate the ability to service loans). In addition, businesses with no employees are more likely to bite the dust after a crisis, perhaps because they lack the human resources that provide ideas and labor as well as implement strategies needed to recover. Also, few employees indicate a small-sized business.

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A pre-existing vulnerability of many businesses that do not survive after a natural disaster is **location**. For some disasters, location is very consequential. A main problem with Katrina was too much water, and businesses that were in the surge zones or flood plains suffered far more damage than those that were not inundated. Earthquake damage to structures is always greater closer to the fault line and reduces in severity with distance from that line. A structure is more or less likely to experience damage depending on its components, how it is built, whether or not all repairs and inspections needed are up to date, and its proximity to the threat.

A primary weakness of small businesses is that they tend to operate with very limited financial resources and they are highly dependent upon their income streams. Without a financial backup plan, businesses are, by their very nature, in a precarious position that leaves them vulnerable in the face of change. Small businesses here in West Lafayette are struggling through extended closures due to the pandemic and thus their income streams are reduced to a trickle - if not completely dried up.

The Small Business Administration (SBA) says that nearly 50% of small businesses fail before their fifth year. New businesses are more vulnerable to normal attrition, and as research after Katrina has shown, they are even more vulnerable to demise after an external shock. They just are not strong enough to withstand the shock; they are a bit like a building constructed of toothpicks holding up an overweight roof – not going to be able to stand up to the pressure. In addition, the way our businesses function is a vulnerability. The natural goal of a small business is to generate income profitably. Few businesses are established with the idea of being adaptable and flexible in times of change. Regardless of age, most businesses are not engineered well enough to withstand dramatic, unexpected change. But this can be addressed.



What strategies you can implement to help your business weather a crisis with less damage?

Re-engineer your business to reduce vulnerabilities and increase its adaptability to change; and do this as a matter of routine. Many pre-existing vulnerabilities can be addressed in ways that may assist the business to reduce losses, replace lost income, adapt to the change, and ultimately to recover from unexpected change. The following is not an exhaustive list, but one to represent key areas of the business that you can make more flexible:

1. Cultivate financial strength. It takes money to keep a business running and the majority of that money comes from day-to-day income (generated by selling products and services). When those sales drop, the expenses do not necessarily drop as much. So, it is important to consider establishing a rainy-day fund, equivalent to a couple of months of expenses. Alternatively, consider purchasing an income replacement insurance policy. Additionally, some businesses may be able to produce a high demand product instead of a low demand one, adapting to the challenge of the crisis. Whatever you may do, it is also very important to maintain your credit worthiness and to protect your business records by backing them up faithfully. You need a good credit rating and business records to get loans from your banking partners and the SBA.
2. Asset protection. Transfer risk to protect yourself. If you rent the property where your business operates, make sure the lease relieves you from the contract in the event the property is damaged and your business cannot continue to operate there. If you own the property, be sure structures are strengthened as best as possible for any natural disasters that could damage them (i.e. up to code, termite free, working sprinklers and smoke detectors). Transfer some of the risk by insuring your essential business assets so that they can be replaced if they are lost or damaged. In addition, maintaining your records and backing them up electronically (off-site) is critical to your operations in an emergency. Further, there may be a role for expanding your inventory: you might want to consider maintaining slightly larger stocks of essential supplies and parts, especially when you sense trouble on the horizon.

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3. Reexamine your location. Is your business operating in a flood plain or other vulnerable geographic location? Consider other locations if you can and if you can't, find ways to protect your business assets from locational threats.
4. Generate human capital. Consider cross-training your employees to do each other's jobs. This can build flexibility into your organization that is invaluable in a crisis. It also increases the human capital that your employees bring to your business, and empowers them to be better employees. Examine your flexibility generally: consider what essentials are necessary for your employees to work from home. Can you do virtual meetings? Can business records be maintained and bills paid remotely? Would this be helpful to your business in an emergency?
5. Re-evaluate how you do business. In this pandemic, essential businesses have been allowed to operate, but they have had to make significant changes in their businesses to accommodate social distancing. These changes have included shortened hours, restricting numbers of customers, establishing different hours for restocking, non-contact delivery, face guards to protect cashiers, and carry out only. Think creatively about other ways you could conduct your business. For example, retailers could offer delivery; market products online, on Facebook, Instagram, Twitter, and/or webpages. Use every strategy possible to get the word out to existing and new customers. No matter what your business is, it pays to develop your virtual toolkit so that when your company experiences a crisis, you have an alternate way to earn income, connect with customers and employees, get information, maintain records, and adapt.
6. Consult experts. The Small Business Administration (SBA) has information on its website to help with disaster preparation and it is worth consulting: <https://www.sba.gov/business-guide/manage-your-business/prepare-emergencies>. You can find information about what SBA offers for temporary income replacement for small businesses and employee assistance during this pandemic: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>.

Experts say that we can expect multiple waves of this pandemic until wide-spread vaccination occurs. Things may ease up in May or June and then by September there

may be a second wave, but with different characteristics and different responses. **Now is the time to start planning.** We don't know who coined the phrase "if you fail to plan, you plan to fail", but that pretty much sums things up. Planning for a crisis can help you soften the blow and give your organization a better chance at survival and recovery. This planning can teach you ways to adapt in times of crisis, and being adaptable is an important key to recovery. The future has changed and we must also change if we are to recover.

A challenge with crises is that we don't always know they are coming ... and when they do come, we often assume that at the end, everything will be able go back the way it was "before". We need to take the chance now to reflect, study ourselves, and prepare for the next event – whenever and however it may come, because change is inevitable. In his 1970 best seller, "Future Shock", Alvin Toffler pointed out that the best way to prepare for the future is to contemplate it, analyze it, and think how we can meet it head-on. There is no better time than now to do so.

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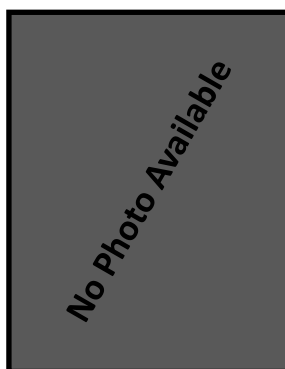
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