

2021

COVID-19 GUIDELINE FOR FOCUSED MANAGEMENT

CREATED BY

CHRISTIAN WOZABAL



CURRENTLY, THERE ARE STILL A LOT OF QUESTION MARKS

Currently, there are still more questions than answers for entrepreneurs:

- How will the next few months develop?
- How will the economy recover after the CORONA crisis?
- How will this affect the financing of business?

This guide will help you assess your own company's situation and get an overview on one page.

Leanlaundry provides this guideline for the COVID-19 crisis in the laundry industry.

Some areas are intentionally not covered, for example, the innovation performance and even the company's profit. In the current situation, these factors are not relevant for most companies. Therefore, after the crisis and for long-term goals, so other vital KPI's are necessary.

The situation assessment for the vital factors:

1. Customer Satisfaction
2. Employees
3. Productivity
4. Compliance with Hygiene and Government Regulations
5. Cash Flow/Cash Balance
6. Liquidity

If you are "GREEN" on all these factors - or at least not "RED" - you can weather the current crisis just fine.

APPLICATION OF THE GUIDELINE

This guide is primarily for companies impacted by COVID-19.

Please apply as follows:

1. Read through each section and make a **very self-critical assessment** of the extent to which your company is GREEN/YELLOW/RED in each area and what actions are needed.
2. Check your assessment with the definition of GREEN/YELLOW/RED on page 9.
3. Enter the result into the summary sheet and estimate the **trend since the beginning of the crisis**.
4. Enter the most important tasks on this overview sheet.
5. Inform your key employees and implement these measures as soon as possible.
6. Please send comments and suggestions for improvement to office@leanlaundry.com.

DISCLAIMER

The business-environment and the extent of the crisis may vary in each situation. It is therefore impossible to make a general guideline that suits every circumstance.

The situation analysis and the recommendations might, therefore, not be sufficient in a specific situation.

This guideline shall provide an additional tool for management to assess the situation and take action.

Every company is responsible for its own decisions, and Leanlaundry does not assume responsibility for applying this guideline in any case.

CUSTOMER SATISFACTION

It is currently only possible to acquire new customers to a limited extent, and sales activities must be well-dosed.

However, existing customers are all the more sensitive to the services provided.

ATTENTION: Customers may currently have less capacity to complain and may not want to change suppliers.

If a customer does not complain, this does not mean that the customer is satisfied.

Furthermore, it is crucial to measure and communicate quality; otherwise, employees will not have customer satisfaction "on their radar."

In addition to the customer service representatives, an essential source of information is drivers and office staff who contact customers DAILY.

RECOMMENDATIONS

- ❑ Personally question **the satisfaction of the TOP 5-10 customers** - ideally by visiting them on site.
- ❑ Informal conversations and possibly meetings with **customer service representatives, office staff, and drivers** and keep listening until the real information is shared.

Ask employees how they would rate satisfaction by GREEN/YELLOW/RED per customer and what customers would like to see.

- ❑ **Measure quality in operations** (delivery quality, product quality, complaint rate).
- ❑ **Online customer survey** (e.g., Google Docs)
- ❑ Derive **specific actions** to improve customer satisfaction.
- ❑ **Open feedback to key personnel and employees**

EMPLOYEES

One can debate whether employee satisfaction is more important than customer satisfaction.

Only a motivated team can perform an excellent job for the customer, and employees' statements "behind closed doors" are inside information.

If a driver proudly tells a customer how well the company has things under control, this is much more credible than a press release or a statement from the managing director. The reverse is also true.

Some employees are certainly also concerned about the company, their jobs, or possible contracting COVID-19.

Employees must see the meaning of their work.

"He who has a WHY to live for endures almost any HOW" (Viktor Frankl).

When employees know how important their work is to customers and the company, they are more willing to work overtime when necessary.

First and foremost, the **3-7 most important key employees** are essential here.

RECOMMENDATIONS:

- ❑ **QUESTION: Who are my 3-7 key employees?**
- ❑ **Take one hour with each key employee** (e.g., spend the lunch break together) and above all, **LISTEN!**
- ❑ Update the **entire team** 1-2x per month. (briefly 5-15 minutes).

Topics: Customer status, implementation of COVID measures, working hours ... and celebrate **SUCCESS!**
- ❑ During a site visit, talk to different employees and **listen for 3-5 minutes about improving the workplace.**
- ❑ **Provide for employee health.**
 - Collaborate with the company doctor (e.g., vitamin D, influenza vaccination, protection of vulnerable people).
 - Compliance with hygiene regulations
- ❑ Implement **sick leave return interviews**

As a result of COVID-19, there have been some dramatic declines in sales in some business segments.

Unfortunately, it is impossible to adjust the workforce in the same proportion, as deliveries for existing customers have to be secured.

Balancing low productivity, ensuring quality, and motivating employees is a considerable challenge.

Some rental operations also choke on linen quantities, which the customer does not need right now. A plant-filled up to the roof leads to extra work.

Excess linen in the plant can also lead to a **backlog on the soiled side** since there is enough linen to deliver.

The result is mildew stains and complaints about custom linen not being returned—this a form of waste.

RECOMMENDATIONS:

- ❑ For rental businesses: **Take inventory of the entire operation:** Which linen is not currently needed? Mark these containers and laundry bins with a Post-It. (MATTER FOR THE BOSS).
- ❑ **Declutter the operation** of all linen that is not currently needed.
- ❑ **Where is the current bottleneck in production?** Which machine is dictating the hourly throughput?
- ❑ **Measure the throughput at the bottleneck on an hourly basis.**
- ❑ **Adjust the production staff present** to this throughput.
- ❑ **Measure productivity AND delivery capability daily.**
- ❑ Measure the **number of soiled containers** daily. (Avoid backlogs)
- ❑ Create a list of those **improvements** that can be implemented without much investment and execute them consistently.

HYGIENE AND GOVERNMENT REGULATIONS

Often the situation changes weekly, and many managers, employees, and often entrepreneurs themselves are tired of the current situation.

But the fact is that

- only very few people have already been infected, and therefore, the **pandemic can spread again** quickly and
- that there is **a risk that a business may also be closed** in the event of an outbreak.

Even though it is difficult, you have to take the requirements very seriously and also consider how best to implement them in the plant.

In the German meat industry, they **test all employees every day** - and the spook is over.

You should consider this for your own company as well.

Everyone can **also improve their immune defenses and reduce COVID risk**. Among other things, by

- Keep your distance, wash your hands, wear a mask.
- Sufficient sleep (7-8 hours)
- Sufficient vitamin D (consult your physician beforehand)
- Vitamin C
- Check if useful: Zinc, NAC, Quercetin
- Reducing overweight
- Sufficient exercise, sauna
- Influenza vaccine

RECOMMENDATIONS:

- ☐ Study the official information in its entirety.
- ☐ Check the implementation in your own company.
- ☐ Set a good example.
- ☐ Protect vulnerable employees.
- ☐ Talk to the entire team about the measures in simple language.
- ☐ Promote personal prophylaxis for individual employees with the company physician.
- ☐ Provide influenza vaccination for employees, if applicable.
- ☐ Check: Testing 2x per week or daily for all employees.

There are a perceived 75,000 definitions of cash flow. In this case, use the most rigid definition:

- How does the cash balance or current account balance change from one month to the next?
- Can I pay all liabilities, or do I have to defer?

For rental businesses:

Since linen purchases are currently close to zero, especially for significantly affected services, and you generally don't invest, **cash flow should be positive.**

The company needs cash for the restart. During the crisis, business uses the existing linen pool without much replenishing. You can expect that **higher linen orders will be necessary for H1 2021.**

Example:

- Regular linen purchase 10% of sales.
- Turnover in the period of the pandemic
\$ 5,000.000
- Linen purchase during the pandemic
\$ 100.000
- The seasonal order for summer 2021 can therefore be \$ 400,000 higher than usual.

In this sense, it is even problematic to close each month with a +/- zero change in the cash balance at the restart; the money is then missing!

RECOMMENDATIONS

- ☐ Make a **very sober analysis** of the current situation.
- ☐ List all liabilities for the next 24 months.
- ☐ In case of linen rental: Estimate how much the linen purchase will be at the restart.
- ☐ Question ALL expenses.
- ☐ Plan the cash flow until the end of 2021 as detailed as possible.
- ☐ If necessary, consult an independent financial consultant.

A company can become insolvent even with positive cash flow if the bank cuts or cancels the credit lines.

If possible, **the open line should be more than one month's sales**. For listed companies, it is usually 2-3 months.

The **banking sector** will face enormous challenges in the coming months, considering how many loans are non-performing.

Ultimately, therefore, banks cannot be relied upon to provide quick and unbureaucratic help if the worst comes to the worst.

You can assume that you will get new money only with more collateral and with due delay.

WARNING:

Entrepreneurs often overestimate their abilities in the field of financing.

Be cautious when seeking advice from banks, and, unfortunately, many tax advisors lack financial expertise.

Independent financing advisors can make a big difference!

In the event of **insolvency**, be sure to consult a lawyer and refrain from any criminal relevant actions!

- ☐ Update the documentation of the financing agreements.
- ☐ List all payment obligations, including deferrals.
- ☐ What is the outstanding balance at the worst time of the month?
- ☐ Is there a payment stall? (Short-term bottleneck that can be resolved).
- ☐ Is there insolvency?
- ☐ Is there a threat of insolvency if various deferrals are due?
- ☐ Which collateral was used for which financing instruments?
- ☐ Am I privately liable as an entrepreneur?
- ☐ Are loan installments due by the end of 2021?
- ☐ When does the current account credit line need to be extended?
- ☐ If necessary, talk to an independent financing advisor.

ASSESSMENT CRITERIA

CUSTOMER SATISFACTION

GREEN	Customers are generally delighted and grateful for the reliable service. No special measures are necessary.
YELLOW	There are some dissatisfied customers, and action is needed to ensure the long term relationship.
RED	The roof is on fire! Some customers have capitulated and no longer complain. The company risks that customers will look for another partner after the crisis.

EMPLOYEES:

GREEN	The employees are well informed, stand behind the company, and perform well.
YELLOW	There are some conflicts, absences, and possibly turnover. Measures are needed to stabilize the team.
RED	The roof is on fire! The working atmosphere is moderate to low. The team is not stable - this affects performance.

PRODUCTIVITY

GREEN	Productivity is the same or better than before the crisis.
YELLOW	Due to the COVID-19 crisis, productivity is suffering. Measures are necessary.
RED	The roof is on fire! Productivity is significantly lower due to insufficient or fluctuating capacity utilization. Personnel costs to sales have increased considerably.

HYGIENE AND GOVERNMENT REGULATIONS

GREEN	Everything under control. You know all the requirements. Everything is implemented.
YELLOW	Measures are necessary to establish compliance.
RED	The roof is on fire! A plant closure is imminent.

CASH FLOW




GREEN	The current account or cash balance improves from month to month.
YELLOW	The current account and cash balances are moving sideways. Further savings are necessary.
RED	The roof is on fire! The company is "burning" money. (the current account balance decreases every month).

LIQUIDITY

GREEN	More than one month's turnover is free credit or cash balance. The financing is long-term.
YELLOW	The open credit line is less than one month's sales. There is short-term financing.
RED	The roof is on fire! Payments are stalling, or insolvency has occurred or threatens to happen when deferrals expire.

SITUATION ASSESSMENT

Date:

	Green / Yellow / Red	Change since the beginning of the crisis			Necessary actions
		Worse 	the same 	improved 	
Customer Satisfaction					
Employees					
Productivity					
Bottle-neck in the production		Wo?			
Hygiene / Government regulations		Welche?			
Cash Flow					
Liquidity					