



# RIDING THE THIRD WAVE

## Facing Business Challenges

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# Riding The Third Wave

## Running your business during the third wave

In light of the ballooning number of COVID-19 cases, the Government of Jamaica has reintroduced “no-movement” days and tighter curfews. Based on the current trajectory of cases, tighter movement restrictions may not be going anywhere shortly, and so Jamaican businesses and citizens must adapt.

The unpredictability of the situation raises important questions for entrepreneurs across three frontiers:

1. Employment - What must employers and employees consider as it relates to compensation?
2. Inventory - How best can inventory be managed?
3. Closure - What should be considered before deciding to shut down?

## Things to consider: Employment

- Employers should engage in clear COMMUNICATION, show COMPASSION and work in COLLABORATION with their employees to determine the best options.
- The law does not allow for an employer to make changes to an employee’s salary or the terms of the employee’s contract without that employee’s consent. Through an open discussion about the post COVID business situation, some employees might agree to a temporary adjustment to their salary and/or a variation of work hours.
- Categories of Workers: Are your workers full time employees, part part-time/temporary employees, seasonal workers, casual workers, or independent contractors?
  - Each category will have different legal considerations and obligations for e.g. the provisions for redundancy and lay-off apply to employees and not independent contractors;



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## Things to consider: Employment cont'd

- Reducing Workforce Costs: In trying to reduce workforce costs, MSMEs may consider
  - The possibility of shared work where more persons are kept on with reduced hours;
  - If some of your staff members (e.g. elderly) might be high risk for COVID, they should be encouraged to work from home where possible;
  - For workers who are at or near minimum wage, effort should be made to keep them on as long as possible.
- Employers should educate themselves fully on what their options are during this time. Here are some important distinctions to keep in mind:
  1. **Layoff vs Redundancy** - The terms lay-off and redundancy are NOT the same under Jamaican law. A lay-off is a temporary suspension of employment for a maximum duration of 120 days. A lay-off may continue past 120 days if the affected employee agrees. Redundancy should be a last resort as this can be a significant expense to a business. For a Redundancy payment to be applicable there must be a "Redundancy situation" as defined in law and it must be done in consultation with the affected employees.
  2. **Sick Leave and Vacation** - An employer is obligated to protect the workplace and everyone in it, and can send an employee home if they come into work sick. The employer is not required to pay that employee for that day if he/she has exhausted their sick days.



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## Things to consider: Employment cont'd

- 2 **Sick Leave and Vacation cont'd** - An employer cannot compel an employee to take vacation, however they can discuss with employees any interest they may have in using their vacation where normal Sick Leave and any additional Sick leave provisions are exhausted. If an employee is placed under mandatory quarantine or isolation but they are still well enough to work, employers should consider remote work where possible. If remote work is not possible for the quarantined employee, the employer should consider giving the employee an extended paid sick leave if they can afford it, however the employer is under no legal obligation to do so.

## Things to consider: Inventory management

In times of uncertainty such as this, proper inventory management is crucial as it allows an entrepreneur to reap the following benefits:

- Minimize cash “tied up” in inventory especially if you are borrowing money to keep the inventory.
- Provide visibility into what is in stock and where and how it moves in and out of the company.
- Minimize dead stock such as those items that have been on the shelves for too long. Dead stock is very costly and takes up space!
- Save time and create greater efficiency as you will know what is in stock at all times.



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## Things to consider: Inventory management cont'd

### **Critical things to understand in a company inventory system:**

1. What is the order to sales cycle time; from the time you order an item to when is it sitting on your sales shelf, how long does it sit on the shelf before it is sold?
2. Inventory costs: Holding Costs; Stock Out/Lost Sales; Storage costs in warehouse or on display shelves; Ordering and Delivery costs; Volume Discounts; Expiring/Dead Stock.
3. When and how much to re-order.
4. When to discount and clear dead stock.
5. Aligning the physical count with the system count.
6. First In First Out (FIFO) Inventory Management - Put old stock to the front and new stock to the back of shelves to ensure you sell the old stock first.
7. Minimum and maximum inventory levels for each item.

### **Inventory management initiatives that can be used to find a balance between customer satisfaction & operational efficiency.**

1. Develop Inventory Procedures
2. Get Rid of Dead Stock Now
3. Plan Purchases/Production Based on Expected Sales
4. Maintain Adequate Inventory Levels
5. Securing Your Goods
6. Conduct Regular Spot Counting
7. Train Your Staff



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## Things to consider: Inventory management cont'd

### Managing Unpredictability

Right now, entrepreneurs may have challenges with implementing/practicing the techniques mentioned before due to uncertainty of both the local and global landscapes. Increased shipping costs, increased severe weather, tightening restrictions to reduce COVID-19 spread, and many other factors propose roadblocks to managing inventory efficiently.

To mitigate these roadblocks, entrepreneurs can:

1. Diversify their supplier network: The organizations that are better positioned to weather these trying times are those that are able to quickly find alternative suppliers to keep operations running. Consider investing in more "flexible and resilient" supply chains -- that is, supply chains that can resist disruptions and recover operational capabilities after disruptions occur
2. Digitize inventory and focus on data - The digitisation of inventory has enabled game-changing analytics. By harnessing the data that captures how inventory moves through a supply chain, a business can gain insight into what is needed, what is excess, and more importantly, how inventory requirements are being impacted by the underlying drivers such as lead time, production and shipping frequency



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## Things to consider: Closing a business

Many entrepreneurs, large and small alike, have been forced to close their doors due to the strenuous economic times brought on by the COVID-19 pandemic. Before making this serious decision, here are some things that you should think about.

### Signs of a struggling business:

1. Banks are refusing to give you additional financing. You have exhausted your primary sources of borrowing.
2. You are receiving threatening letters from creditors.
3. Each month cash flow is tight or negative. Directors are not taking salaries. You are handling payroll with promises.
4. You have had to let staff members go or key staff members start leaving.
5. There are mounting penalties from non payment or underpayment of taxes or other obligations.

### Exhaust your reasonable options:

1. Improve your collections. Consider carefully calculated discounts if necessary.
2. Keep the Lines of Communication Open With Creditors.
3. Strategically Cut Costs and develop a turnaround strategy.
4. Consider private financing by finding someone to invest in your business in exchange for equity (a piece of ownership).
5. Find a Licensed Insolvency Practitioner - they are trained to save companies.



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## Things to consider: Closing a business cont'd

1. TIME - Where will your business realistically be in 6 12 months?
2. LONG TERM FINANCING - Can you finance the interim period until it returns to normal?
3. CASH FLOW - Is the cash flow steady and growing or still erratic after a few months?
4. REALISTIC GOALS - Are you being realistic about where your business is likely to be in 6 12 months?
5. INDUSTRY - Are other companies in your industry making money or are they too on the downturn?
6. DEBT RATIO - Given where you are now, how much more debt are you willing/able to undertake to see your dream?
7. OPPORTUNITIES - Can you see your way to a business pivot? How much investment would be needed to pivot? How quickly will you be able to tell if a pivot is working?
8. PERSONAL INVESTMENT - Are you starting to bolster the ordinary finances of the business with expensive personal credit card debt? This is a dangerous trap.
9. EMOTIONAL ATTACHMENT - Is your personal physical and mental health starting to suffer from the stressors of the business?
10. WORKPLACE ENVIRONMENT - Is the tension in the workplace
11. starting to become toxic?
12. EMPLOYEE MORALE - Are your key employees starting to leave?
13. OBLIGATIONS - What redundancy obligations may arise if you close your doors and let go your staff? How will this be settled if the business does not have the funds to make payments?



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Things to consider: Closing a business cont'd

Steps to take to close your business:

## CLOSING YOUR BUSINESS CHECKLIST

- Collect Outstanding Receivables
- Sell off inventory
- Notify creditors
- Notify Customers
- Terminate Leases
- Notify Employees & Pay Redundancy
- Liquidate Assets
- Settle debts in the context of close down event. Go in with a best offer.
- Distribute assets to yourself and other owners; explain the logic for distribution
- Close accounts and cancel licenses in your company name
- Leave a message about where you can be found as open issues may linger for about 1 year
- Dissolve your company or sole proprietorship



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**Things to consider: Closing a business cont'd**

**Steps to take to close your business cont'd:**

- If you have made the decision to close your business, you must finalise with the relevant authorities which include the Companies Office of Jamaica (COJ), Tax Administration Jamaica (TAJ), National Housing Trust (NHT), National Insurance Scheme (NIS) and can include other industry specific agencies. ENSURE YOU DO YOUR RESEARCH BEFORE YOU PROCEED. THERE ARE RESOURCES AVAILABLE TO ASSIST SUCH AS THE TAX HELP LINE AT THE TAJ AND CUSTOMER SERVICE AT COJ. - SEE MEMO #14 for further information



# RESOURCES

**PLEASE SEE MEMOS #3 - Managers, Workers and The Law: SME HR Responsibilities During COVID-19, #14 - When It's Time To Close; The Right Steps To Take, and #33 - Managing Your Inventory This Christmas for further information.**

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## **Employment Termination and Redundancy Payments Act**

- <https://moj.gov.jm/sites/default/files/laws/Employment%20%28Termination%2C%20etc.%29%20Act.pdf>

## **Holidays with Pay Act**

- <https://moj.gov.jm/sites/default/files/laws/Holidays%20with%20Pay%20Act%20LN%20189%20of%2073.pdf>

## **Human Resource Management Association of Jamaica (HRMAJ)**

- <https://www.hrmaj.org/>

## **Inventory Management 101: How to do effective inventory management for small businesses**

- <https://squareup.com/us/en/townsquare/how-to-do-effective-inventory-management-for-small-business>

## **TOP FIVE BENEFITS OF A GOOD INVENTORY MANAGEMENT STRATEGY**

- <https://www.scanco.com/blog/top-five-benefits-of-a-good-inventory-management-strategy>