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Principal Knowledge Center

## 4 things for businesses to think about amid coronavirus concerns and market volatility



Businesses had been looking forward to economic progress in 2020. More than half of them (56%) said they were “optimistic” about the year ahead, according to the 2019 Principal Well Being Index.<sup>1</sup>

The spread of coronavirus to **more than 80 countries** in recent weeks has dampened some of the optimism. But business leaders can approach this health crisis with the same rigorous planning and persistent effort they rely on every day.

We conducted a fresh poll of our United States business customers,<sup>2</sup> who told us they feel well informed by general news of the outbreak. But they’re also concerned about the potential impact of the virus and market swings on their employees and business.

Owners from a variety of industries told us:

“We won’t be able to receive certain components made in China.”

“Clients’ businesses may be affected and in turn affect our consulting business.”

“Our business is dependent on tourism.”

Bob Baur, Ph.D., chief global economist for Principal®, says to keep in mind that the virus’ spread is “an event, not a trend.”

“Whatever you do, don’t be scared into doing something you might regret if this doesn’t turn out to be the worst-case scenario,” Baur says.

Fundamental economic signs remain strong. **Weekly jobless claims** so far haven’t shown signs of layoffs attributable to coronavirus, Baur says, although **airlines have canceled flights** and offered waivers to passengers.

The U.S. housing market continues to pick up, he adds, with a “huge increase” in mortgage applications in the wake of the **Federal Reserve’s interest-rate cut** of half a percentage point.



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**Bob Baur**, Ph.D., chief global economist for Principal

Here are ideas and possible responses to market concerns for your use as you remain proactive in each of these four main categories that U.S. business owners say worry them most:

## 1. Health and well-being of employees

It’s natural for a business owner’s first thought to be responsibility for the safety of their employees.

Keep the lines of communication open and encourage employees to ask their supervisors if they have questions about their personal travel or any aspect of the outbreak.

**Dan Houston**, chairman, president, and CEO of Principal, struck an empathetic tone in his own message to the Principal workforce: “I understand these unknowns can seem scary, especially when they touch our families and our personal health,” he wrote.

Houston also reinforced three key messages that hold true for businesses with even a single employee:

1. Show that you prioritize employee safety.
2. Reaffirm as much as possible the long-term stability of your business.
3. Explain how your business mission and customer service still apply—or apply even more—in times of crisis.

Keri Collins, risk management director for Principal, says that business leaders and all employees should rely on credible sources of information on COVID-19 for their business decisions.



### Tip

Collins recommends sources grounded in research:

- **Centers for Disease Control and Prevention (CDC)**
- **World Health Organization**
- **Johns Hopkins University**

Some of this information is tailored to businesses as well:

- **Interim guidance** for businesses and employers to plan for and respond to coronavirus, from the CDC
- **Emergency preparedness for business**, from the CDC
- **Preparedness planning for your business**, from ready.gov
- **Small business preparedness guide**, from the U.S. Chamber of Commerce Foundation

## 2. Maintaining normal business operations—business continuity

Not every firm may have a business-continuity plan in place, and 80% of our business customers surveyed lack a response plan for coronavirus.

But the basic question is the same for any company: What are the critical functions you must have to meet the needs of customers? A few examples from Principal risk management and security:

- **Test early, before an emergency.** Are you unsure if three-fourths of your staff has all the proper technology to simultaneously work from home? Try it for one morning, then adjust as necessary.
- **Who are the key people and functions you need to keep your business running?** For a week? A month? If you're the smallest of small businesses and feel like you already operate with minimal staffing, could you rely on a family member as emergency backup?
- **If one of your employees does become sick with the virus**, are you confident your office can be quickly and properly deep-cleaned and restored to working order?

Each sector faces unique complications, but our business customers agree that thinking through a few scenarios crucial to your business is time well spent.

### Playing out one common scenario: manufacturing sector

"We expect to have many of our employees out sick, affecting production," one business owner said in our recent survey. "Office employees can work remote, but assemblers can't."

Factory floors and similar operations tend to be full of materials handled and directly transferred between employees. They may need to be even more proactive about enhanced hygiene such as hand-washing and available disinfectant, says Troy G. Smith, director of document services for Principal.

A few options:

- Strategically separate workers or entire shifts to prevent potential spread between them.
- Cross-train employees to make up for sick workers.
- Reorganize traditional work routines, workspaces, or separate facilities to protect from possible effects.

Document your strategic planning in a formal business continuity plan, so you can repeat it or build on it in the future, says Smith.

## 3. Impact from financial markets and supply-chain issues

The **financial markets** had been somewhat "complacent and pricey," Baur says, ahead of the dramatic coronavirus-inspired drop near the end of February. "All of what the markets should've been thinking about prior to last week happened in a week."

Business owners also can keep an eye on their long-term security in this moment, says Baur. It may be a good time to refinance your long-term business debt, taking a hint from the housing market with historically low interest rates.

Something to note, says Baur, is that coronavirus may “accentuate or even accelerate the trend toward deglobalization.”

He recommends that business owners rethink their approach to the international supply chain. If you’re a small manufacturing firm relying on materials from China or another nation hit hard by the virus, this crisis may encourage you to explore ways to stabilize your sourcing.

It’s been a one-two-three punch: Rising wages in overseas manufacturing hubs such as China, followed by costs of the trade war, now have been complicated by the vulnerabilities in global supply shown by the outbreak.

For the smallest business owners who may find it hard to weather even a month or two of disruption, Baur says to drastically cut expenses. Ask your handful of employees to help the business survive if they’re in position to do so or enlist a relative. Talk to your bank or lender early, before your cash flow dries up.

And avoid consumer debt or payday loans, with their sharp interest rates.

## 4. What to tell employees about their savings and investments

“Don’t look at your 401(k)—look at it in two months,” Baur says.

Remind employees that long-term investment growth and retirement savings require a long-game approach. The market noise and news headlines shouldn’t scare anyone into pulling money out of the market, only to potentially hurt their future earnings.

### What to do next

Employees worried about their investments? We have resources:

- **Worried about coronavirus and the markets?** How you can be prepared when it’s bumpy out there.
- **Investing near retirement:** Tips to consider during a big market event
- Is your retirement plan provided by Principal? **Log in** to get more help answering employee questions.
- What other questions do you have about coronavirus, market volatility, and your business? **Send us an email** to help guide what we publish in the weeks ahead.

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<sup>1</sup> Principal Well Being Index survey of 600 U.S. employers conducted August 2019 by Vital Findings.

<sup>2</sup> Principal Insights Community poll of 101 of our U.S. business customers, March 2020.

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