COVID-19 CRISIS: HOW IOWA BUSINESSES HAVE COPED DURING THE PANDEMIC

MOLLY VARANGKOUNH, president, Hy-Capacity
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A VIEW FROM THE TOP

Business is Making Turn for the Better

The June edition of Business Record Iowa highlights a survey of members ABI conducted recently. This year, the focus of the survey was the response of ABI members to the COVID-19 pandemic. Based on responses to the survey and recent conversations with members, I can tell you that for many employers (not all, but many), business is making a turn for the better. I hope you find the survey results of interest, and if your experiences are different, please contact the ABI office and share your information with us.

It’s hard to believe, but this column is my last as Chair of the ABI Board of Directors. I want to extend my thanks and appreciation to the Board and the Executive Committee for their strong leadership and support. It is often noted that ABI’s strength is in its members and that it is ABI companies across Iowa that lead to ABI’s success. I agree and would further note that it is ABI members and their employees that help our state succeed. Never has that been more evident than during the COVID-19 pandemic. For that, we can all be grateful.

As I wrap up my year as ABI Chair, I have only one regret: that I was not able to welcome you to our community of Cedar Rapids for what would have been a fabulous ABI conference. While that was not meant to be, the balance of the year has been absolutely terrific and I thank you for the opportunity to serve. And more than ever, I am grateful for your dedication to ABI.

EXPERT ADVICE

Health Savings Account – Should You Have One?

Planning for a crisis is basically impossible, which is why it is so important to be prepared. Creating a budget and sticking to it is a great way to start building savings for unexpected medical emergencies. Many employers offer a Health Savings Account (HSA) option to their employees. An HSA can help individuals to start saving for qualified medical expenses on a tax-free basis. HSAs provide a triple tax advantage—contributions, investment earnings and amounts distributed for qualified medical expenses are ALL exempt from federal income tax, Social Security/Medicare tax and most state income taxes.

Should I have an HSA?

If you are considering if you would benefit from an HSA, keep your budget and health in mind. If you like the idea of saving for future medical care and saving on taxes, you may benefit from opening an HSA. On the other hand, if meeting a high deductible could cause financial stress, an HSA may not be the best option.

What are the advantages?

- Money that is invested into an HSA grows tax-free.
- HSAs are portable.
- Individuals other than the account owner can contribute to the HSA. For example, the employer, a relative and more.

What are the disadvantages?

- HSA funds are meant to be used toward qualifying medical expenses. Other withdrawals could incur a 20% penalty.
- Illness can strike when it’s least expected. Not knowing what you’ll have to pay for in the future may be challenging when budgeting for an HSA.
- To avoid penalties, records must be maintained to prove all withdrawals from the HSA were used for qualifying medical expenses.

How do I get started?

HSAs are typically offered through employer-sponsored benefits packages. However, an account can also be opened on an individual basis through some financial institutions. Individuals under the age of 65 who participate in a qualified high-deductible health insurance plan may qualify to open an HSA.
COVID-19 CRISIS:

HOW IOWA BUSINESSES HAVE COPED DURING THE PANDEMIC

Back in April, when ABI’s annual CEO survey was sent out to hundreds of companies around the state, Iowa was effectively in a lockdown due to COVID-19. Nonessential businesses were closed, many employees worked from home — and the effect it had on the economy was drastic.

Many have stepped up to support their communities and team members, ensuring business chugs along while everyone figures out how to operate in these unprecedented times.

FILLING A NEED

On a typical day at the Mississippi River Distilling Co., a craft distillery in Le Claire, patrons can order all kinds of handcrafted spirits in the shop or bar area. But these days, alcoholic beverages aren’t the main product for sale — it’s hand sanitizer.

Back in mid-March when Gov. Kim Reynolds ordered all restaurants and bars to close dining rooms, Ryan Burchett, the owner of Mississippi River Distilling, knew he’d have to pivot. Most of his company’s revenue comes from customers in the retail shop and bar, while the rest comes via distributors. Quickly, most of the distillers in the space were converted to make hand sanitizer, helping combat the spread of the pandemic while bringing in a crucial stream of revenue.

“We’re small enough that it allows us to respond to things like this,” Burchett said. “We can pivot on a dime and start a new business arm. And this was a big deal for the community. Millions of people were using a product that hadn’t been used like that before. Traditional manufacturers were overwhelmed.”

Burchett said his company received all kinds of thank-you notes in the mail. Hand sanitizer also allowed many employees to keep working at a time when people are filing for unemployment at record levels.

“It’s a reminder that what we’re doing here is bigger than just filling bottles and getting them out the door,” Burchett said. “It’s filling a community need and making a difference in people’s lives. Sometimes, that’s kind of surreal.”

There are still plenty of questions about what the future holds for the company and the rest of the service industry. Typically, business models like these are rewarded when the place is nearly full. The coronavirus will likely prevent that in the near future. Burchett said he’s unsure how long it will take the business to recover. And he tries not to lose sleep over it since much of it is out of his control.

“The whole situation is so fluid that we have to be thinking about it, but we won’t know what it’s going to look like until it gets here,” he said. “So, we just have to take it a day at a time. Figure out what we have to get through today and then live to see tomorrow.”

Burchett said he’s been impressed with the response by both the state and federal governments. He’s curious to see what happens at the other side of this period of social distancing, as there will be a new normal.

“I expect the government will provide a framework for us to work within,” he said. “But I think this is a marathon and not a sprint.”
THE NEW NORMAL

Hy-Capacity Ag Parts, a tractor parts manufacturer in Humboldt, was proactive in its approach to COVID-19. Before schools were closed in mid-March, leadership met with team members to implement new prevention strategies and encourage them to stay home if they were sick. The company created new communication systems, put together a task force to tackle problems with the coronavirus and worked with Iowa State University’s Center for Industrial Research and Services on guidelines.

“We were just trying to keep our antennas up for things going on around us,” said Molly Varangkounh, president at Hy-Capacity. “And this kept hitting the news cycle, and we have some suppliers in China. So we were kind of peripherally aware of it. We just wanted to stay ahead.”

While the company adjusted how they operated, anxiety around the pandemic hasn’t taken a big hit on the business. Most of Hy-Capacity’s clientele are farmers, who are still planting and tending to their fields as normal. Hy-Capacity enjoyed a good March, and April was slightly off projections, but that could have been due to a number of other factors.

“Farmers need to be in the field regardless, so we’ve been trying to stay healthy and be there when they need us,” Varangkounh said.

In early May, Hy-Capacity also shifted some of its manufacturing to help make masks for local hospitals. The company has a sewing department that makes tractor seats, but had to source different materials to make the proper equipment.

Varangkounh is sure business operations will be altered for a long time. But that means more companies will be forced to adapt. For example, Hy-Capacity has seen their sales people working from home, making calls via Zoom. She calls the future more of “an evolution than a recovery.”

“We will likely see some of the things we never thought we could actually work,” she said. “Maybe this will allow us to revisit how we sell and how we do business.”

PROACTIVE CHANGES

COVID-19 started raising alarm bells for Steve Doerfler back in January. The president and CEO of Metalcraft, a Mason City manufacturer of tags and labels, noticed supply chain disruption as the coronavirus spread throughout China. And when it hit Milan and other parts of Italy, more interruptions followed.

“Once we saw shutdowns happening and being extended, COVID-19 became a weekly issue in our weekly leadership team meeting,” Doerfler said.

That was in February. When the pandemic began to spread quickly in the United States in March, the company was prepared. They drafted a business continuity plan and made adjustments to hours and operations to properly social-distance.

The company even stepped up to help the shortage in personal protective equipment. Some production lines shifted to creating face shields for medical workers, creating a new revenue stream and accomplishing one of the business missions of citizenship. By mid-May, Metalcraft had produced more than 50,000 face shields.

“Our team members really got behind that because they knew they were making an impact,” Doerfler said. “This is altruistic, and we were helping out the first responder and health care workers by making these.”

On a business level, Doerfler said revenues in April were down about 25% to 30%. For the most part, he’s unsure what the future holds.

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“We’re bracing for the fact that this quarter, it’s going to be difficult to determine the percent we’re down, but we’re fine with that and are planning for that,” Doerfler said.

He commended the government response at both the state and federal levels. The CARES Act, which was passed by Congress and signed in March, helped provide a stopgap in revenue for Metalcraft. Doerfler believes it’s been valuable for Iowa to remain relatively open throughout the past two months, allowing businesses to adapt and implement proper guidelines to help mitigate the spread.

“I think staying open gave us this perception that we’re going to try and work and control this while being open, and we did,” he said.

A QUICK RESPONSE

Phil Harrington, president of Kuder in Adel, doesn’t mince words when it comes to his company’s planning. At the beginning of 2020, they didn’t have a disaster recovery plan. There was nothing in place if something like a pandemic cropped up. But in early March, when the coronavirus was spreading globally, Kuder kicked planning into high gear.

All 55 employees were sent to work from home by March 13, which was ahead of what many businesses in the state were doing at the time.

“It really showed how quick and how smart my team was,” Harrington said. “We just jumped into it and figured out what more we needed to do. We take an enormous amount of phone calls every day, and we live on the internet. So we had to equip our [information technology] team to help put the bones in place. That happened very quickly.”

Kuder, which provides career and education assessment and planning, does a lot of business with the state, which has seen its priorities shift toward mitigating the pandemic. Harrington said he won’t know the true business effects until up to a year from now, when the state’s drastically lower tax revenues likely lead to a smaller budget.

But on the other side, Harrington believes there’s an opportunity. Many people have lost their jobs and are looking for new career opportunities. Kuder’s software can provide that valuable service.

“On one hand, it’s scarier than hell of what could become in the future because of less tax revenue as it relates to college and career planning,” he said. “And yet on the other side, there’s probably a big opportunity for us here to serve those people who are really in need as we begin recovery.”

In some ways, Kuder has already helped fill a need. The company made some of its products and services free of charge to schools, students and parents around the globe through the end of June. Other products are offered at a reduced price.

Harrington gives a lot of credit to the state, which has handled this crisis “exceptionally.”

“I think the governor has done a marvelous job of managing through this time,” he said. “It was right on track of what our state needed.”

Harrington predicts it’ll take at least two years to fully recover as a business, and even that is a shot in the dark.

“I’m just going back to what it was like after 9/11,” Harrington said. “That was a couple of years, and this is probably going to be much more devastating than that was to the economy. I don’t know how many of us can’t think it’s going to be more than a few years, maybe several years.”

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YOUR ORGANIZATION’S RESPONSE
Did your organization have a crisis response plan in place prior to COVID-19?
Yes 43%
No 56%
Not Sure 1%

Did your organization provide assistance to the COVID-19 response—locally, statewide or nationally—such as producing PPE, making hand sanitizer or donating money or resources?
Yes 53%
No 46%
Not Sure 1%

In general, how long do you think it will take your organization to recover from the COVID-19 pandemic?
1-6 months 30%
7-12 months 20%
1+ year 32%
2+ years 8%
Not Sure 10%

THE STATE OF IOWA’S RESPONSE
Iowa was one of eight states that did not issue a shelter in place order. Do you agree with the governor’s decision to keep the state open?
Yes 83% No 10% Not Sure 7%

Which of the following statements do you agree with most?
The state government is doing enough to help businesses affected by COVID-19 75%
The state government is not doing enough to help businesses affected by COVID-19 24%
The state government is doing too much to help businesses affected by COVID-19 1%

THE FEDERAL GOVERNMENT’S RESPONSE
Which of the following statements do you agree with most?
The federal government is doing enough to help businesses affected by COVID-19 64%
The federal government is not doing enough to help businesses affected by COVID-19 29%
The federal government is doing too much to help businesses affected by COVID-19 7%

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Top Tips for Remote Workforce Cybersecurity

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Many organizations discovered during the pandemic that employees were able to stay productive while working remotely. All indications suggest that the ability to work remotely will be a common demand from employees moving forward. Alternatively, organizations struggling due to the pandemic could reduce overhead costs by reducing office space and encouraging or mandating certain roles transition to remote positions.

Below are tips for how to conduct business securely with a remote workforce.

1. **Multi-Factor Authentication (MFA):** MFA is a gatekeeper to your organization’s applications, devices, and information. MFA requires the user to input their normal password, and also provide a unique passcode that is time-sensitive and sent to their phone or another gateway. Because a hacker doesn’t have access to the unique code, their ability to infiltrate corporate systems are mitigated even if they have the user’s password.

2. **Antivirus and Antimalware:** It’s a tale as old as time but always relevant. Antivirus and antimalware are the first step in preventing attacks. These applications should be installed on company devices and personal devices.

3. **Home Infrastructure:** Most home internet contracts come with a router. Even if it has “firewall” capabilities, the truth is home routers only direct internet traffic, much like a traffic cop at a festival. It tells information about where to go but doesn’t inspect it. A firewall will inspect the information before letting it pass, much like a border patrol officer.

4. **Cybersecurity Training:** The biggest defense against cybercriminals is a well-trained army—your employees. Using a training platform that simulates malicious emails, texts, files, and phone messages to educate your employees and identify your weakest links is one of the most economical and effective tools at your disposal.

While organizations have been distracted with the pandemic, hackers have been hyper-focused on secretly implanting viruses and malicious code. They are lying in wait until businesses have recovered and can pay their ransom demands. By taking these steps, your organization can mitigate the impact and likelihood of a successful cyber-attack.
Uncertainty is what business leaders fear most. And COVID-19 has created a lot of uncertainty. As business and industry moves forward, one thing is certain: Sound policy must lead the response.

It’s the job of policymakers and advocacy groups to identify the risks and barriers to getting business back on track, employing Iowans, and producing goods and services.

At ABI, we’re taking that challenge head-on. And we’re glad to do so on your behalf. We seek to solve problems and create certainty so you can do what you do best: employ people, deploy resources and make value-added products, and create wealth that’s shared with Iowans through higher standards of living.

The coronavirus presents a new set of problems. New solutions will lead our members to once again employ, deploy and create value. These are among the policy initiatives that will help lead to a certain recovery, and ABI wants these facts addressed in public policy:

To employ and manage a workforce, businesses must be sure that if recommended precautions are taken, those businesses will not be held liable for the spread of infection among employees that is transmitting freely throughout our communities. The workplace is just one place the virus may be encountered.

Public-facing businesses must have the same protection from incidental spread among their patrons, clientele and customers. Once community spread is established, by definition, these infections could have occurred anywhere in the community.

Lastly, large numbers of ABI members have responded to need during the pandemic by switching production lines almost overnight to manufacture personal protective equipment to protect vulnerable frontline health care workers and employees. If these products were made to specifications known at the time to be safe, these manufacturers should not be second-guessed after the fact with product liability claims.

Please call upon ABI staff as we continue to seek clarity in moving Iowa forward. We are here to help in any way we can.

If you are an ABI member, you receive more information on these initiatives and others via the weekly e-newsletter and conference calls held every other Friday during session. Please contact Michelle Vollstedt at mvollstedt@iowaabi.org to make sure you are on the list.

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CALENDAR OF EVENTS

JUNE 9-11
Regional Membership Meetings
Virtual

AUGUST 5
Employment and Workforce Committee Meeting
ABI Office | Des Moines | 11:30 a.m.

AUGUST 6
Workplace and Product Safety Committee Meeting
ABI Office | Des Moines | 11:30 a.m.

AUGUST 9-13
Leadership Iowa University
Des Moines Area

AUGUST 31
Executive Open
Des Moines Golf and Country Club | West Des Moines

SEPTEMBER 29
Legends in Manufacturing Awards Dinner
The Meadows Event Center | Altoona

SEPTEMBER 30
Advanced Manufacturing Conference
The Meadows Event Center | Altoona

Visit www.iowaabi.org and click the “Events” tab for details on upcoming events, including updates in response to COVID-19 related safety restrictions for public gatherings.
What’s Your Business in Our Changed World?

Not to state the obvious, but it’s not business as usual.

While a pandemic was not incorporated in any of our plans – clauses in contracts, steps in procedure or dates on the calendar – there is a reason we’ve been using ‘pivot’ to describe our next move. To recover dependability, we must return to the fundamentals to recognize the one foot we have on the ground. You prepared for this, and we prepared for this.

Earlier this year, I traveled across the state to discuss with leaders about how their company and community uniquely meets the needs of Iowa’s global economy. In reconnecting since, despite the rapid developments of the world, our network remains strong and optimistic. Each of us has our own opportunities and challenges as we continue to evolve. The core components of who we are can be found embedded in the foundations of our mission, values and partnerships.

MISSION As you work on your business, why you do what you do continues to be as important as ever. Missions are meant to see us through disruptions and downturns, and now we refer and rely on it again.

VALUES A constant throughout our state is the desire to take care of each other, Iowans helping Iowans. Employers and employees are neighbors, friends and family, wanting what we already strive for – trust, commitment and teamwork. We mean business here in Iowa.

PARTNERSHIPS Consider how the businesses, organizations and communities have come together in unprecedented ways during this unprecedented time. Not only can none of us do this by ourselves, but that isn’t the expectation. We’re better together.

As a mission-driven organization developing Iowa’s leaders to strengthen companies and communities, the ABI Foundation activates individuals in accelerated learning to advance our state. Business and industry provide vocation and vision, and you and your organization can do your part to provide these opportunities to those within your sphere of influence. Together, we can fortify our state, now and for the future.