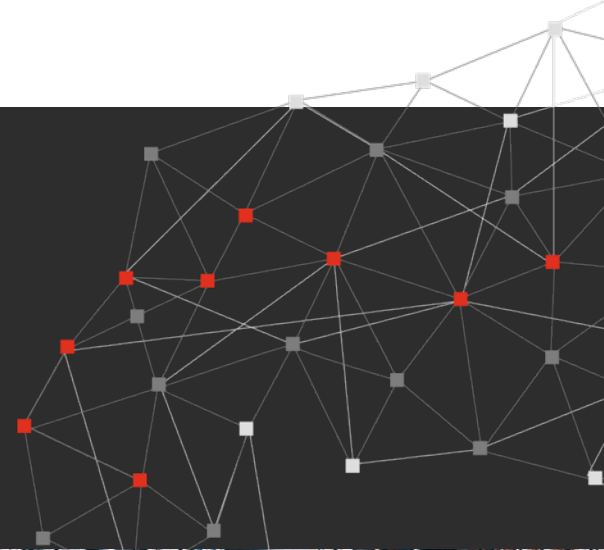# Considering the potential business impact of the COVID-19 outbreak

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Common issues that many organisations are facing due to the COVID-19 outbreak

The COVID-19 outbreak has been declared a public health emergency of international concern by the World Health Organization (WHO), causing a huge impact on people's lives, families and communities.

As the international response continues to develop, we know that organisations are facing potentially significant challenges to which they need to respond rapidly.

We are working closely with organisations globally to help them prepare for and respond to the crisis by sharing our experience of working with companies, governments, regulators, NGOs and international organisations around the world to respond to some of the most high-profile outbreaks (including Ebola, MERS, SARS and bird flu).
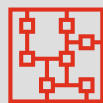
Workforce

Protecting the well-being and welfare of employees, especially those living in affected territories.

Supply chain

Re-routing, delays, disputes and knock-on impact on customers.

Decline in sales

Decreased sales is resulting in reduced cash flow and covenant issues.

Operations

Reduced resilience in key functions, infrastructure and services or locations becoming unavailable.

Travel

Restricted or prohibited to some locations, impacting business and leisure demand more generally.

Regulation

Organisations are facing compliance challenges in certain sectors.

What can businesses do to protect themselves?

Crisis response and management

Establish a crisis response structure with established workstreams, clear responsibilities and accountabilities. Develop likely and reasonable worst-case scenarios and their potential impact to support crisis and response planning.

Workforce

- Ensure workforce safety.
- Strengthen remote working capabilities.
- Create a strategy for effective and accurate information.
- Strengthen remote technology capabilities.
- Assess the impact on global mobility and business continuity.

Business continuity – work from home

- Assess feasible and remote working technologies to ensure business continuity.
- Assess current technology and security limitations of the current work environment.
- Plan for future remote working needs.

Supply chain

- Perform an operational risk assessment and consider and plan for the impact of disruption on critical business functions.
- Understand your COVID-19 supply chain risks and impact, including those on third-party suppliers.

Financial liquidity and risk

- Evaluate and forecast cash flow models and perform simulations and scenario analysis.
- Perform regular monitoring of market risk exposures and limits.
- Prioritise your cash flows

Key focus areas and what we should do

Crisis management and response

Strategic considerations

- Establish a cross-functional steering committee, led by a C-suite member. Ensure senior representation from business divisions and specialist leaderships such as human resources (HR), legal, information technology (IT), operations, risk, communications, finance, health and safety, procurement, sales and crisis and business continuity.

- Establish and agree on processes for decision making and agree on critical milestones.

- Determine reasonable worst-case scenarios to inform planning assumptions and consider likely trigger points for decision making. Review and refresh crisis, continuity and specialist plans (e.g. pandemic/COVID-19). Stress test assumptions and exercise plans.

- Prepare your core incident management team (IMT) to coordinate response and containment efforts.

- Map critical stakeholders and agree on communication strategies for them. Base the immediate response and communications on established facts from reliable, trusted sources.

- Appoint functional workstreams, owners and align activity with response objectives.

- Ensure alignment with organisation reputation, purpose and values (e.g. supporting the wider community response).

- Ensure proper communications with staff and stakeholders provide for feedback loops. Balance transparency and preparedness without appearing to be overreacting.

Set up an IMT to coordinate your response

- Set clear roles, accountabilities and objectives.

- Agree on meeting cadence and team ways of working.

- Set up communications and stakeholder engagement strategy.

- Use approved sources of information to monitor the spread of the virus and emerging clusters of cases.

- Embed an incident reporting mechanism.

- Identify critical decision triggers to manage and contain the spread of the virus, e.g. travel restrictions; office closing/work from home, meeting restrictions/virtual solutions.

- Deploy a rapid response process for any cases of infection within your organisation and develop personnel recovery plans.

- Verify that technology infrastructure can support remote operations.

- Review supplier service availability and resilience.

Scenario planning

- Evaluate COVID-19 specific scenarios for your organisation. Identify potential risks and assess impacts.

- Ensure business continuity plans, including arrangements and processes for handling an infectious disease outbreak, epidemic and pandemic.

- Model the financial impact of scenarios and potential triggers for urgent action (e.g. breach of covenants).

- Identify strategic interventions to stabilise your organisation.

Key focus areas and what we should do

Workforce

Managing disruption of productivity due to the coronavirus outbreak.

**The three aspects that we need to ensure:**

Workforce safety

- Strengthening remote working capabilities
- Creating a strategy for communicating factually and effectively

What to focus on:

- Ensure employee safety
- Prioritise the strengthening of remote technology capabilities
- Assess the impact on global mobility and business continuity

Where to focus:

- Managing employee morale
- Managing employee productivity by developing a remote working model
- Workforce planning
- Compensation and benefits
- Maintaining agility around growth plans for the future
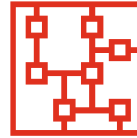
Supply chain

Maintain business continuity and protect your supply chain.

- Identify your critical products and suppliers by carrying out risk modelling for regions, commodities and suppliers so that the impact of disruption in any of these variables can be assessed.
- Prepare a contingency planning to re-address the balance of supply and demand.
- Simulate scenarios that enable sound decision making and use intelligent analytics that can allow complex permutations and combinations to be factored in.
- Consider the financial and legal implications and impact of supply chain disruption on margins, cash flow, loan repayments and terms.
- Create a cross-functional crisis response team as inputs of all relevant stakeholders such as suppliers, manufacturing sites, logistics and warehousing are needed for a comprehensive response which is cohesively implanted in a timely manner.
- Strategise for transparent communication with customers, external stakeholders and employees.

Key focus areas and what we should do

Business continuity – work from home

Making work from home technologically feasible and secure to ensure business continuity.

- Assess employee awareness of working from home and reiterate through frequent email communications the secure practices to be considered while working remotely.

- Evaluate cyber security considerations during work from home as people become more vulnerable to cyberattacks as they spend more time online.

- Manage internet, virtual private networks (VPNs), collaboration tools, IT and security operations during a crisis.

- Assess the adequacy of organisations on IT and cyber security related governance.

- Ensure continuity of hardware and data centres.

- Ensure availability and usage of software and licensing.

- Ensure secure access and authentication for all services and applications.

- Assess bandwidth sizing for both downstream and upstream, and data backup. Plan for a peak-load scenario.

- Ensure physical security of technology assets.

Financial liquidity and risk

Financial risks and planning for present and future.

- **Cash flow and forecasting models:** Companies should evaluate the impact on their cash flows through a thorough review of their credit lines, debtors and creditors.

- **Simulations and scenario analysis:** It is essential to set milestones at which different levels of measures can be planned by organisations. They need to consider various scenarios from optimistic to pessimistic and understand the impact of the same on the financial models developed.

- **Market volatility management:** All financial exposures of a business as well as important investment decisions should be revalidated and retimed based on the simulations, scenario analysis and forecasting models.

- **Prioritise cash flows:** Companies need to judiciously allocate its existing resources into achieving mission-critical outcomes.

- **Cutting the tail:** Reduce the amount of external credit needed and maximise the credit available from within an organisation. Instill a discipline of financial challenge to prioritise the cash flows appropriately.

Contact us

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