

COVID-19 RESPONSE

# 10 PILLARS FOR MANAGING THE COVID-19 RESPONSE

A 10-Pillar 'Commandments' approach for companies to weather the storm, create stability, and protect value for recovery

As the COVID-19 pandemic grows and economic implications intensify, businesses must prepare for extreme disruption. Timeframes are uncertain and governmental guidance varies from country to country. It is incumbent upon leaders to address immediate concerns, while preparing for multiple contingencies, and keeping the business running with an eye toward the longer-term horizon. This 10-pillar approach is founded on time- and experience-tested principles of crisis management, and is designed to give businesses the greatest chance to weather the storm, create stability and resilience to the greatest extent possible, and protect value for recovery.

**ACT FAST**

**BE RATIONAL**

**THINK AHEAD**



## **ACT FAST**

Start by focusing on your short-term needs, from operations and IT, to planning.

### **1. BUILD RESILIENCE AND DYNAMIC CRISIS MANAGEMENT CAPABILITIES**

Set up a war room with decentralized, 'swarming' teams able to keep the company running with agility; rapidly adapt to new information, risks, and opportunities (including legal liabilities: from MAC to employees' illness); and set a few realistic priorities.

#### **Consider:**

- Have you set up a dedicated team, with proper redundancies and reporting lines and, if needed, extraordinary powers to act swiftly and overrule internal processes that may prove inadequate for a crisis situation?
- Have you deployed such a crisis organization in each business unit and facility, as well as in all main operations?
- Have you appointed a crisis czar, to allow current management to keep focusing on ongoing business and operations priorities and to add specific restructuring/no-time-to-die expertise?
- Have you built an emergency succession plan or redundancy in top management roles, should any senior leaders (e.g. the CEO, CFO, CTO, or CRO) become ill?

### **2. CONDUCT STRESS TESTING AND PLAN FOR EXTREME CONTINGENCIES**

Unpredictability can render detailed planning for any possible scenario almost irrelevant. Stress testing, however, is directly relevant if aimed at preparing consistent responses to adverse and rapidly changing conditions and developing pragmatic contingency plans.

#### **Consider:**

- Have you run stress tests based on different projections of the impact of the virus, and different possible government responses, across various geopolitical areas?
- Have you tested your overall cash position and P&L/equity base, and leverage serviceability for different holding periods (e.g. relief from crisis in six months, one year, more)?
- Have you developed a value-based approach to assessing different courses of action for stress scenarios and the possibility of extreme disruptions in finance, local and international mobility, supply chains, and wholesale to retail distribution?
- Have you compared different strategies based on their impact on both short-term survival/stability and medium-term value protection?

### **3. PREVENT OPERATIONAL PROBLEMS AND BUILD CRITICAL DECOUPLING**

Duplicate and/or decouple critical suppliers based on geography or regional events, as well as stress testing. Ensure basic operational stability, possibly lowering some standards of performance and removing policy constraints that are not realistic or practical in 'emergency mode'.

#### **Consider:**

- Have you reviewed your suppliers and ranked them from most-to-least critical and most-to-least prone to disruption?
- Have you considered duplication/decoupling options, including costs and related risks? Have you explored unbundling or reintegrating, at least temporarily, some production of goods or services?
- Have you promoted collaboration across smaller vendors to pool and share scarce resources (from financing facilities to inventories) for the sake of the common good and to enhance resilience for your ecosystem?
- Which manufacturing and/or distribution facilities are going to be impacted, and which ones might be used to ease bottlenecks? Can you modify the mix to mitigate potential out-of-stock situations?
- Are inventories geographically dispersed or could you leverage your vendors' and clients' inventories in innovative ways?

#### **4. MINIMIZE IT/CYBER RISKS AND MAXIMIZE REMOTE WORKING EFFICIENCY**

In the short-term, make sure your staff are ready to work remotely, in safety, and that you can prioritize scarce access or capacity.

**Consider:**

- Are security tools deployed on your network to protect remote working?
- Have you delivered training and awareness to your staff, addressing common risks of remote working (e.g. risks of public wi-fi and external email)?
- Are basic IT continuity plans in place for the most relevant scenarios, and have recovery plans been tested?
- Does your remote working capacity meet requirements? If not, can you prioritize the people that most need access to systems and data?
- Can you boost adoption of collaboration and teamworking tools, to encourage teamwork despite unfamiliar separation of staff?

Longer-term, accelerate your migration to a cloud- and SaaS-based operating model. This will enable scaleable and flexible remote working, access to data, and rapid development of new apps, to deliver new business functionality more easily and rapidly, regardless of location.

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## **BE RATIONAL**

**It's easy to get swept up in the adrenalin of crisis management, but once emergency plans are in place, it's time to turn your attention to your holistic value protection.**

### **5. PROTECT THE PHYSICAL AND EMOTIONAL HEALTH OF EMPLOYEES AND PARTNERS**

Supporting the health of employees and business partners in dire times demonstrates a company's integrity and values. This support includes ensuring that your team stays virtually connected and personally close, which will help keep them motivated and committed to the company's success.

#### **Consider:**

- Have you considered, in addition to health factors, the impact of the situation on the morale and emotional health of your employees? Are you monitoring the comments of your employees on social media or special sites (e.g., Glassdoor, Vault)?
- Have you set up a dedicated HR team, and converted some normal routines into 'help desk' ones, concerned with issues such as administrative support, parental advice, and coping with fear or depression?
- Have you considered plans for using at best the 'smart working' time (and, overall, holiday period for the year) to invest in online training, research, re-conversion/reskilling or for filing, maintenance, post-sales activities that could be used in the future (e.g. offering digital value-added services to clients)?

### **6. STAY CLOSE TO CLIENTS AND PROTECT YOUR COMMERCIAL FRANCHISE**

Supporting key commercial relationships and business partnerships in hard times is particularly important and can build long-lasting ties. Staying in close, virtual touch, showing commitment and support, selectively offering financial flexibility or unfunded guarantees – such decisions may be very hard in the short-term, but should pay off in the medium-term (possibly in only a few months).

#### **Consider:**

- Have you established special task forces to call and offer support to your clients – to see which issues they may be facing, address them proactively, and share best practices, with specific protocols to support business continuity and safety?
- Are you monitoring content about your company and its locations on social and formal media, and assessing the impact of potential miscommunication?
- Do you have a PR crisis management team in place?

### **7. PREVENT LIQUIDITY SHORTAGES AND MANAGE WORKING CAPITAL AND INVENTORY**

Ensure cash availability to support critical value chains. Preserve minimum liquidity necessary for essential operations with vendors, employees, and clients.

#### **Consider:**

- Is your working capital declining because of slowing customer demand or supply disruptions? Or is it growing, and your inventory mounting, because actual demand is lower than projected?
- Have you anticipated or factored your receivables, and evaluated the impact on your funding requirements due to lower activity?
- Are your vendors (or borrowers) in similar or complementary situations?
- How are you trying to minimize your use of working capital and cash?
- Are you planning your liquidity needs on a weekly basis over the next two to three months, and testing how they might be affected by different events?
- Have you considered building liquidity buffers?
- Have you set up emergency cash calls, with the help of institutional guarantors, lobbying hard with government and sovereign institutions to address your or your vendors' potential needs in case of strain?

**8. CONTINUE SELECTIVELY INVESTING AND DYNAMICALLY MANAGE CAPEX AND EXPENSE BUDGETS** Investing is a fundamental function for ensuring organizations can grow, and stay competitive and motivated, over time. Capex may be extended, or budgets may be rightsized, but a message of "stop till further notice" is rarely rational and will kill morale and future performance.

**Consider:**

- Have you reviewed current capex and opex budgets, considering different needs (e.g. to ensure safety or business continuity) and potential bottlenecks, and dynamically reassessing ROI?

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## **THINK AHEAD**

Once your business is stable, you can afford to look to the future. At this stage, the businesses that thrive will be thinking about capturing mid-term opportunities.

### **9. PREPARE FOR THE UPCOMING WINNOWING**

Supporting all stakeholders to the same extent could lead to the collapse of the entire business if things get worse. Plan for a possible winnowing of borrowers, debtors, suppliers, etc., in order to preserve the core of the business should some of the most extreme scenarios materialize.

#### **Consider:**

- Have you assessed the weakest links in your business, by sector and individual stakeholder, with an unsentimental view as to where crisis-driven cuts should focus?
- Have you rated the likelihood of various stakeholders being financially or operationally impaired? Have you planned how to mitigate such impairment or live without destined-to-fail stakeholders?
- Have you considered the most effective ways of discontinuing relationships in survival situations? What about impacts across the production-to-distribution value chain?

### **10. CAPTURE OPPORTUNITIES FROM CHANGING COMPETITIVE DYNAMICS.**

Maintaining a laser-focused strategic and tactical view of the competitive landscape can enable you to spot short-term opportunities for eliminating unproductive 'sacred cows', consolidating weaker peers, redesigning the value chain, targeting important new clients that are now underserved, etc.

#### **Consider:**

- Have you reviewed, as a potential investor or industrial partner, preferred targets that have been priced too high, but may be becoming cheaper by the day?
- Have you considered these targets' capitalization vis-à-vis their fair value over a normalized cycle, even in view of the execution risk?
- Have you explored the 'reconfiguration' options for the company's operating model and value chain that were not available in normal times?
- Have you considered the opportunity to address new clients or markets that were thought to be over-covered or over-supplied, but that now appear attractive?

Two things we know about crises from our experience: they are all different, and they all end. How they end for your business depends on the speed and quality of your crisis management. These 10 pillars form the foundation of a proactive and responsive approach to getting through and beyond today's uncertainty.

For more information, get in touch: [www.alixpartners.com/contact-us](http://www.alixpartners.com/contact-us)

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These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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