

COVID-19 BUSINESS RESTART

DISRUPTION AS USUAL

Three pillars for business recovery: How to implement an accelerated business restart, and emerge with the strength and agility to prosper beyond the COVID-19 crisis

As the economic impact of the COVID-19 pandemic continues to intensify, we are in the midst of a unique situation, one which is impacting markets and industries in severe and unpredictable ways.

Scenarios are changing by the day, making it difficult to forecast the evolution accurately—and demand and supply have both been impacted at the same time. The crisis will ultimately end, but businesses need to prepare for a W-shape recovery—in the form of multiple smaller Vs—as they emerge into the new normal. A prolonged disruption could lead to a minimum 12-18 -month recession, bringing a need for enhanced business resilience and flexibility. In the new normal, 'disruption as usual' is going to be the name of the game for several months.

This three-stage business resumption approach is founded on time- and experience-tested principles of crisis management and is designed to give businesses the greatest chance of achieving a cohesive restart and moving through the first stages of recovery.



SAFE OPERATIONS

1. HEALTH AND SAFETY

Health and safety is going to be of paramount concern for businesses, employees, and customers moving forward after lockdowns. Businesses need to ensure they are getting the fundamentals right through testing, tracking, and sanitizing. This could require adaptation and upgrades to processes and workspaces, employee distancing protocols, cleaning, and PPE.

Consider:

- Have you arranged for distancing and protection of employees and contractors through a review of shifts, working hours, smart working, workspaces, and communal areas?
- Do you need to instigate sanitizing policies?
- Have you arranged testing and surveillance?

2. START-UP PREPARATIONS

As businesses consider restarting, they need to make sure they are carrying out the correct advance preparations. It may be necessary to do this on a site-by-site basis.

Consider:

- Are you employing tracking (big data)?
- Is your IT infrastructure ready for a return to work? Have you defined the critical infrastructure that enables a new operating model?
- How are you communicating to stakeholders, suppliers, and clients? What are the management considerations?
- How are you reengaging with employees? Are you keeping them frequently and clearly informed about ongoing considerations?
- How will you carry out human capital adjustment and optimize labor planning?
- What are your property and infrastructure considerations? Are building maintenance or modifications required?

3. SUPPLIER AND SUPPLY CHAIN HEALTH

While your business may be ready to get up and running again, the same may not be true of your suppliers, who may have faced additional problems. Checking your supply chain health should include any missing goods, services, or consumables, and a full inventory and logistics check may be needed.

Consider:

- How robust is your supply chain?
- Can you re-source at speed?
- Do you need to re-contract or ensure performance improvement?
- Have you arranged early warning reports in case of supplier shut-downs, or missing parts, services, or consumables?

4. CAPACITY FLEXIBILITY

Flexibility is going to be key to rapid recovery for your business. This will not only be of staff, but may also include having to re-locate part or all of your business or its resources. And changes may need to be made at speed, accepting some temporary loss of productivity and profitability.

Consider:

- Do you need to adapt your long-term supply chain strategy to new or digital/online business demand?
- Is your staffing flexible? Can employees work in different locations or at different hours?
- Do you need tools or machinery moved to a different site to improve transportation or staffing levels?



SUSTAINABLE FINANCIALS

1. CASH/WORKING CAPITAL AVAILABILITY

Cash may be in short supply after weeks/months of business contraction, or even inactivity. The ability to access cash resources to fund restart and working capital build-up is crucial, and your business will benefit from time spent assessing and planning both near and medium term.

Consider:

- Have you begun cash forecasting and management? Your forecast needs to be a commitment to action
- What have you done to stimulate demand for your products or services?
- Demand and supply may need rebalancing. How can you carry this out effectively?
- Have you accessed government support?
- What are your options for recapitalization or refinancing?

2. PROGRESS ON CASH GENERATION

Businesses need to keep a steady eye and firm hand on cash generation as they move into the restart phase, and cash should be regarded as a scarce resource. Look carefully at progress on adjustments of cost base (incl. organization) and changes to cash demands (AR, AP, inventory, CAPEX, etc).

Consider:

- Have you ensured that you have reliable forecasting in place? This should be more than just 13 weeks, as you will need to assess the headroom required to absorb likely volatility for several months
- Can you reduce discretionary expenses and fixed overhead costs to align with new expected demand? The marketplace is likely to be more volatile and you need to be agile
- Have you reviewed cash concentration/pooling and reduced trapped cash balances?
- Have you run financial scenarios for different timing of lockdown release and economic conditions?

3. SALES STIMULATION

During this business ramp-up phase, consider carefully how you can drive sales. This might mean changes to your mix of products, pricing, or markets.

Consider:

- How are you assessing a new true opening cost for every location?
- Are you calculating re-opening ROI using new expected demand levels, or are you relying on older projections?
- Have you right-sized operating costs for the new norm?

4. LIQUIDITY MANAGEMENT

An informed process of agile decision making is important for key cash decisions at this time. Ensure you have access to inter-company funding and a general triage of bank covenants and liquidity scenarios.

Consider:

- Are you using formal restructuring processes as necessary, in order to secure required accommodation from lenders and creditors?
- Is your business re-forecasting based on the most up-to-date information?
- Are you considering various scenarios on short-term trading volumes and assessing how they will affect restart ability?
- Are you stretching payables and stepping up collections?
- Are you using leverage when dealing with non-essential vendors, customers, landlords, and lessors?
- Are you seeking interim payments to ease cashflow pressures?



LEGAL COMPLIANCE & DISPUTE RESOLUTION

1. CHANNELS TO RECOVER LOSSES

There are various channels that your business should pro-actively consider in order to try and recoup potential losses. You may well have a business interruption/cancellation insurance policy that will be able to help. There may also be government assistance available, based on individual business circumstances.

Consider:

- Have you considered claim management support for information requests, etc?
- What expert testimony support can you access for any court action?
- Have you been able to secure sources of litigation funding?
- Have you checked your supply chain contracts for services/goods?

2. DOCUMENTATION OF COSTS, LOSSES, AND MITIGATIONS

It is important that you retain all documentation of obligations, lost opportunities, increased costs of working, and extraordinary expenses, in order to keep a record of your current situation, which may be needed as future evidence.

Consider:

- Are you able to quantify and present requests for interim payments on ongoing cases?
- Have you updated compliance measures for prolonged remote working?
- Are you creating new cost categories and accounts for new and extraordinary related expenses?
- Are you documenting costs saved and losses mitigated?
- Have you considered third-party legal support to reduce pressure on core resources?

3. PREPARATION FOR CLAIMS AND DISPUTES

The brave new post-COVID-19 world is bound to be a litigious one, as businesses fight to recoup losses where they can. Your business can expect both claims on and from third parties, including settlements and use of interim payments on future cashflow.

Consider:

- Are you claiming the following on business interruption and insurance policies?
 - Sources of recovery
 - Lost revenues/margins
 - Additional costs
 - Loss mitigation measures
 - Outside forces
 - Modeling alternative scenarios to estimate net losses
- What is the availability of litigation funding and expert witness support in potential disputes/litigation?
- How will you adapt to the future regulatory landscape?
- Are changes in regulations or contractual obligations likely to be impacted?
- Are you keeping abreast of any BAU activities exposed to new regulations?
- Have you identified any contractual obligations likely to be impacted?

Two things we know about crises from our experience: they are all different, and they all end. How this one ends for your business depends on the speed and quality of your restart management. These 3 pillars form the foundation of a proactive response to reset, rebase, and retarget your business.



For more information, get in touch: www.alixpartners.com/contact-us

ABOUT US

For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

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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