

COVID-19 RESPONSE

AlixPartners insights and advice: operations continuity

May 2020

In the wake of the spread of COVID-19 and subsequent shelter-in-place orders and non-essential business closures, those commercial operations that have been able to continue have rightly focused foremost on the health and safety of their employees, suppliers, and customers. As this crisis has continued, those businesses have fought to maintain service levels in this massively disrupted environment.

This document provides some best practices for maintaining operational continuity throughout the current crisis and being best positioned for the eventual recovery.

Situation

Most companies are effectively still in crisis management mode, although the depth and length of the crisis varies by region. The focus must be on managing the situation with as minimal an impact on daily operations as possible, while keeping the safety of employees, customers, and other key constituencies a top priority. The key task at this time is establishing fast and agile operational decision making.

Before returning to a more stable work mode, a ramp up period will be necessary. While its timing may be unclear and will differ among industries and regions, managing the efficient increase of capacity while maintaining the best health and safety measures will be critical during this period.

Finally, whenever a return to a more stable work environment is possible, operations and standards will need to be adjusted to meet the new realities.

Advice

Each phase on the way back to "normal" can be managed through six major operational modules.

Strategy 1: Health and safety rules

People's health is the first priority in ensuring operational continuity. Workplace policies and essential equipment must be in place, along with daily health audits of employees. Communicate intensively and be ready to sacrifice productivity. This will keep plants in operation and workers in a secure state of mind. During ramp up, the highest health and safety standards and trainings are essential to avoid new infections and potential shutdowns.

Strategy 2: Daily operations drumbeat

The daily drumbeat is the central tool for operational management through the COVID-19 crisis. It is a management dashboard with maps, inventories, absenteeism, missing parts, and closures should track developments in real time. This dashboard can provide necessary input into scenario analyses, and track implications across suppliers and customers. Daily meeting cascades (both up and down within the organization) facilitate fast communication and decision making. This drumbeat ensures priorities are transparent and can be managed with specific focus.

Strategy 3: Sales planning

Sales projections must be adjusted and forecasted daily, with customer shutdowns monitored. Critically review customer predictions, including third party data, and adjust numbers. Update demand, capacities, and prices throughout this period, including the ramp up. A constant review of demand developments can avoid overproduction and avoid stressing cash positions.

Strategy 4: Capacity management

Capacities must be adapted frequently to external changes to ensure deliveries but avoiding overproduction. Adjust internal capacity as best as possible to the demand situation, making adjustments to shifts and workforce as needed. Working hours, production schedules, and shift planning should be adjusted to allow for efficient workforce continuity. Reallocation of manufacturing to alternative locations may be necessary to avoid transportation restrictions. The frequent adjustment of the capacity situation increases the ability to fulfill remaining demand, optimizing costs, and securing cash flow.

Strategy 5: Supply and stock management

For proactive supply chain management, transparent forecasts must be established. Determine the impact on supply chain throughout all value steps. Prioritize supply chain decisions daily based on the latest information. Optimize travel routes and capacities. Closely monitor inventory levels, and leverage potential price concessions from suppliers or fluctuating raw material prices. With an early warning report, specific actions can be addressed proactively with increased probability to minimize impacts.

Strategy 6: Cash management

A focus on cash management is key to ensuring liquidity and business continuity. Identify cash balances, cash accounts and their usage, and prioritize current disbursements and collections. Implement a sustainable 13-week cashflow forecasting process, with weekly follow up on unbudgeted movements. Establish strong governance to keep cash under control, including the appointment of a "cash czar" to promote and coordinate communication to all stakeholders. With transparency and governance in place, management can proactively act to ensure the cash and liquidity situation and to ensure business continuity.

AlixPartners

Our people

We deploy teams of highly experienced and qualified experts with profound situational and operational insight to support our clients in times of crisis.



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