

Beyond this challenge

What the consequences of coronavirus teach us

Rapid spread of coronavirus raises concerns for the health of population. Infection causes not only humanitarian, but also significant commercial consequences globally. Viruses know no border, so they will continue spreading. 94% of companies of Fortune 1000 already suffer disruptions because of COVID-19 (Fortune: Coronavirus Supply Chain Impact, 21 February 2020).

Threads caused by the coronavirus will likely disappear by the time. This was observed on the viruses MERS and SARS a few years ago. But even if the danger disappears possible outbreak of another epidemic with its disastrous consequences makes us think about not how it will happen, but when.

This problem can serve as a platform for better understanding of strategic operations and supply chains. This in its turn will lead to the development of more sustainable relationship with key suppliers. Strong corporate contacts and flexible operational models will help organizations to improve general commitment to overcome any disruption.

For instance, the restaurant businesses have responded to the visitors decline by shifting between operational models, focusing on clients ordering takeaway and extending this opportunity to embrace business lunch delivery. Similarly, reasons that led to this complex problem will help organizations to mark the benefits of the applied operational model.

Following steps will help to understand the level an organization is exposed to COVID-19 infection and what is more important, to determine a reliable supply chain in case of future threats and disruptions.

Priority measures

What measures must be taken in order to assess the level of susceptibility of the company to COVID-19? Companies with wide network of representative offices or direct business relations in the countries where coronavirus epidemic is recorded, must immediately assess their susceptibility to COVID-19 in order to better organize support to important stakeholders, employees and clients (buyers, customers).

Protect employees and clients (buyers, customers)

- Use HR-service experience to protect physical and mental health of your employees. Provide all necessary information to those who work in the regions suffered from epidemic and re-consider business travel policies.
- Make the most of CSR best practices to ensure health of employees, stability in the company, community and economy in general.
- Develop a backup action plan for the employees, who work in the affected regions, that will consider higher level of automatization of processes, ability to work remotely or other measures that will allow promptly to provide the company with necessary resources in case of staff deficiency.
- Promptly pull in all available internal and external technologies to provide the employees with everything necessary for remote work in the regions with complex epidemiological situation and their interaction with persons, located in those regions.
- Ban meetings with a large number of participants and preferably limit them to time. Limit the visitor access to the office and other areas of the company. Also ban all international travels/business trips.
- Assess the risk level for the clients from the countries less prepared for the epidemic, where circumstances require taking immediate actions (like providing sufficient beds in hospitals) to help to distribute scarce resources efficiently.
- During the crisis be careful when setting prices of essential goods, like anti-bacterial hand rubs and medical masks. Remember, today competition authorities are extremely vigilant towards companies that try to benefit the situation and drive up prices of their goods.

¹ Fortune: Coronavirus Supply Chain Impact (20 February 2020)

Proper communication with the employees

- Inform your employees about the virus and current situation, including how it is spread and what they can do to protect themselves and people around (e.g. look WHO guidance on “Rational use of personal protective equipment for coronavirus disease 2019 (COVID-19)”).
- Keep in touch with the employees to update them on current events and the measures the company takes to fight COVID-19. Communication will create trust and reduce emotional tension among the staff.
- If your employee tests positive for the virus, notify epidemiological services and the employees that he/she contacted and that may be affected by the virus at work. However, it is important to keep it confidential, so do not disclose their personal data.
- Some employees may think they are not exposed to the virus risk. Employees with the symptoms of infection must be immediately isolated and sent home for quarantine, or to a doctor.
- Develop action plans for emergency situations for each of your audiences and organizational functions. Describe first, second and third steps in case of virus outbreak near your office. Who is authorized to make quick decisions? Who must be informed? Through which communication means? What messages must be sent out?

Effective staff management during remote work

- Make a critical analysis of the departments and/or groups, that can work out of office. Determine the reliability and ability to perform their functions remotely.
- It is recommended promptly to pull in internal technologies for communication (Slack, Skype, Hangouts, etc.) and control of the task performance through services like Trello and Jira in order to ensure the quality of work performed by the staff remotely.
- When the employees who can work remotely are determined, one must determine the employees whose physical presence in the office or on the field is important for the smooth operation of the company.
- When setting up the work in a remote mode one must consider several technical aspects, that may affect the continuity. This includes accessibility of platforms, number of licenses (VPN) for remote access to corporate network, protection from unauthorized access.
- Control over the exchange of business information and its backup is necessary to ensure the effective work in partially/fully remote mode.

- You must make sure that the succession planning at all levels is in place in the company. Heads of subdivisions must determine alternates for key specialists and develop plans of delegation of work during emergency situations. These lists of replacement must be sent to HR. In addition, it is important to identify those key employees and their functions that cannot be delegated because of the absence of suitable candidates in the company and to start looking for them out of the company.

Assessment of supplier-related risks

- Create a crisis response team to ensure open and consistent exchange of reliable information between stakeholders, which will help to maintain their confidence and provide informational support to the clients, who will be affected by the situation in future.
- Create a team which will primarily assess supply chains and manage risks. This team will re-distribute streams within the global and regional supply chains using alternative means of transportation and compromise solutions considering the results of consumer analysis, overheads, services and analysis of risks of all technically possible options.
- Determine the criticality of purchased materials to produce expensive goods and provision of revenue generation. Determine the raw material and components that the revenue generation directly depends on and take measures for reasonable distribution of scarce resources.
- Analyze agreements with key buyers and suppliers in order to estimate the amount of liabilities in case if agreed volume is not delivered.
- Estimate the risk exposure of the company: determine the volume of current and buffer stock, make sure that the delivery at all levels of suppliers is transparent and prepare short-term action plans.
- Assess other risk factors for supply chains that may lead to the increase of overheads (e.g. vehicle shortage may cause increase of costs, as transportation companies may take advantage of the situation in order to gain more profit) and affect the ability to provide services and necessary amount of stocks. To avoid this one must take appropriate measures in a timely manner, in this case by pre-chartering.
- Study in detail the possibility to locate office(s) of the company close to the places where the buyers are, which will help to reduce the number of links in the supply chain.

Managing the working capital, business plans and investments

- Along with forecasting the demand and supply, analyze the order of cash flow and working capital management, as well as the order of forecasting stocks.
 - Create the most complete picture of how further decline in prices in the stock market and limited access to funds may impact the financial stability.
 - Re-analyze the corporate models of planning sales and operational activity and integrated models of business planning to make sure that tactical and strategic business planning are synchronized in all subdivisions.
 - Those companies which actively work with data and have appropriate infrastructure can use this opportunity in procurement, operational activity and R&D, while for search for compromise solutions, that will be reasonable in today's recessionary environment, they can use forecast modelling.
 - Develop a plan of receivables management. Liquidity becomes a key factor for business development.
 - Discuss the availability of deferred payment options with lenders/suppliers.
- First with key long-term counterparties with whom you can most probably reach an agreement.
- Develop a cost optimization plan. There are a lot of cost items beside the wage fund where one can quickly achieve results like in procurement. It is necessary to abandon the total cost reduction model. Such work must be performed in a forward-looking mode. Crisis will pass, while making up for the reduced resources will be difficult and expensive.
 - Now is the time to analyze the structure of sales, to understand key sources of income based on Pareto principle (20/80), abandon unprofitable lines of development.
 - Re-consider the development strategy for the next 6 months or a year, and amend the plan aiming at 1-2 years. In the current environment business forecasting must focus on the first two years.
 - Re-consider the investment plan. Investment projects longer than three years must be pushed into the background with preference to relatively short-term projects. However, this approach is based only on the recession period and external conditions. One cannot completely refuse an investment capital but perhaps it is better to postpone some long-term and capital-intensive projects for better times. Re-consider key estimations in the business plans/feasibility studies.