



# Agile in times of disruption

## July 2019

In June 2019, KPMG published the Global CEO Outlook. At that time, KPMG spoke to over 1,300 CEOs in some of the world's largest organizations to discuss what challenges they are confronting and the assumptions that govern their (future) decision-making. The results were not surprising at all – the main threats to growth in 2019/2020 were (in order of importance given in the answers):

- **Environmental/climate change risk.**
- **Emerging/ disruptive technology risk.**
- **Return to territorialism.**
- **Cyber security risk.**
- **Operational risk.**

Going into even more detail, more than two thirds of the CEOs were saying that they were prepared for future cyber attacks, regardless of scale. Computer viruses that made history in the past couple of years (such as the major ransomware outbreak in 2018) made companies across the globe more careful about the importance of cyber protection and so top management become more supportive. Companies made plans, built up cyber security teams and invested heavily in tools to prevent, detect and react to such cyber attacks. Fast forward 6 to 8 months later and we can see how wrong we all were: the risk of a global scale pandemic, affecting business on an

unprecedented scale was, basically, inexistent and not considered at all!

## COVID-19

There are several consequences when it comes to pandemic disruptions. While normal disruption leads to loss of productivity, the COVID-19 outbreak has gone way beyond that, up to interruption in the production chain. Even if the production facility is located in an area that has not yet been affected by the pandemic, most of the spare parts are today produced in China which was the first country impacted by COVID-19. Which means that even if we keep productivity at normal rates, we might not be able to produce at all if necessary parts or materials are not available.

Another immediate consequence is the negative impact on staff wellbeing (which weighs well above the financial impact). The impact is, of course, wide, because disruption is caused not only if a staff member themselves is affected, but also a member of their family or person they live with.

**According to Gabriel Mihai Tănase, Cyber & Technology Partner of KPMG in Romania:**

*“Loss of revenue is a direct consequence of disruption but it will come in waves.*

*Even with comprehensive plans prepared in advance, some industries will suffer more than others. First in line will be the travel industry (as countries stop operating flights and accepting travelers from outside), then the retail business (non-food) and the automotive industry. These industries will experience an immediate downturn and loss of revenues (the effect may be amplified by governmental decisions such as shutting down shopping centers or closing borders). Even retailers that operate online will suffer, as most people's spending will go into basic needs rather than clothing or non-urgent personal items.*

*“And afterwards, one after another, all the other industries will follow”*

## Business Continuity

Technology infusions, rapidly evolving processes, and new business ventures can introduce disruption risks that impact the well-being of an enterprise. In today's highly competitive environment, organizations cannot afford prolonged downtime, slow reaction time, expensive

system upgrades, or inflexible processes. Information availability is essential in the Information Age. Natural disasters, malicious intent, and catastrophic accidents can disrupt information availability and negatively impact key business processes. Preparing for the unexpected is crucial. Whilst organizations trust their own processes and procedures and build comprehensive plans for unexpected events (such as mass product recalls or cyber security incidents), the last couple of weeks have showed that major disruption can happen and can be worse than the most pessimistic scenario they have considered beforehand.

The COVID-19 outbreak shows that even those organizations which have planned processes and procedures to manage unexpected incidents find it difficult to cope with the situation and thrive post-incident.

*“When it comes to business continuity, acting with agility will make the difference on how businesses across the world will survive or thrive”* says Gheorghe Vlad, Senior Manager in KPMG and Associate Member of the Business Continuity Institute. *“If we act too slowly, we might just disappear”* he continues.

## Reaction

Reaction to major disruption is usually an individual decision. However, when it comes to major outbreaks, like the one caused by COVID-19, there are a set of common measures that most companies should take.

## Education

Education of the staff, is one of the most important elements. In pandemic reaction, effective hygiene and social distancing are key to ensure that a virus is not spreading. Social distancing, is most probably, the best weapon we have against COVID-19.

Deploy **a work from home process**. Some companies have it in their blood, others might not be prepared for it. Some companies might not be able to adopt the model at all, due to business constraints (i.e. production facilities). In all cases, on a smaller or larger scale, employees should be encouraged to work remotely and avoid working in large groups (or in no groups at all, if possible).

**Communicate:** With employees, clients, vendors and any relevant third party. Communication is at the very heart of an effective disruption response and will make the difference. Employees need to know at all times what are the companies' plans for the short to medium term. Clients need to know if you are still able to deliver products or services while vendors are directly interested in understanding your needs and align their reaction to yours. *“And last, but not least, make plans for coming back to a normal situation”* says Gheorghe Vlad. *“Unless the disruption is so bad that your business will go bankrupt, any crisis has an end and you must be prepared to return to normal operations”* he concludes.



**Gabriel Mihai Tanase**  
Partner,  
Technology & Cyber  
[mtanase@kpmg.com](mailto:mtanase@kpmg.com)



**Gheorghe Vlad**  
Senior Manager,  
Technology & Cyber  
[gvlad@kpmg.com](mailto:gvlad@kpmg.com)

Follow our social media channels for more updates and guidance.

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