



Prepare for a 'new normal'



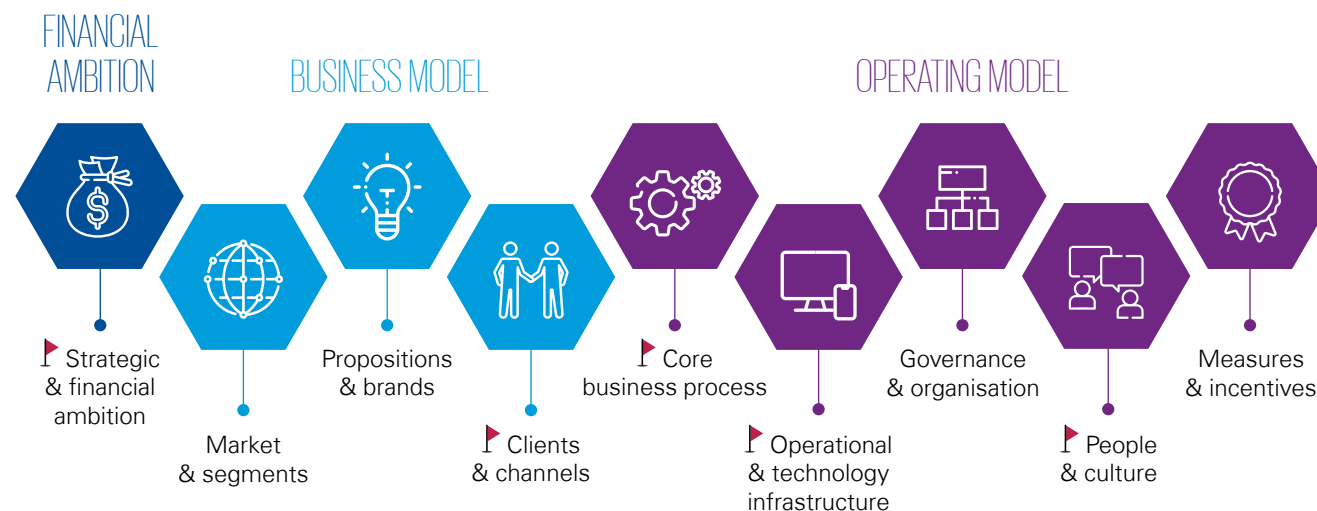
Moving from reactive short-term measures to a recalibrated strategy for the long term

The rapid outbreak of the coronavirus presented an alarming health crisis that the world is still grappling with. In addition to the human impact, there is also a significant economic impact being felt globally. More than 50,000 listed companies worldwide lost around EUR19.4 trillion in value in the six weeks between 19th February and 2nd April 2020 (a decline of 24 percent their overall value)*. This decline is historically unprecedented for such a short time period.

If there's a lesson to be learned, it's that the next devastating but as yet unnamed outbreak is not so much a matter of 'if' but 'when'.

The impact on customer behaviour is only a part of what companies will experience as a result of the economic shock from this global health crisis. Firms can also expect their current business and operating models to be questioned in the face of the 'new normal' that will prevail in a post-COVID environment.

KPMG's Global Strategy Group's framework — the 9 Levers of Value — is designed to help Board members and senior leadership align challenging financial ambitions with the core elements of a sustainable business model and their aspirations for operational excellence and resilience.



 Levers which are most significantly impacted by a crisis

*Handelsblatt, "Der Corona-Crash vernichtet 19 Billionen Euro an der Börse", 02.04.2020


● What to aim for

- Do I need to engage in emergency liquidity measures?
- Are my financial goals still realistic in the mid-term?
- What options do I have to strengthen my ability to withstand the impact on liquidity, income and assets in a crisis situation?
- Does this crisis change my strategic goals?

● Where to play

- Has this crisis changed my view on attractive business models?
- What possibilities are there for me to implement a digital-first business model to reach my customers more effectively?
- Will my offerings still be attractive in a post-crisis world?
- Are there any new offering opportunities due this crisis?
- Has this crisis altered my view of which markets / geographies are attractive?

● How to win





- Which of my core business processes need to be changed to increase resilience?
- How did our technological infrastructure fare during this crisis?
- Have my people been able to thrive and flourish during this crisis? What needs to be changed to enable them to do so?
- Has our organisation and governance proven to be effective during this crisis?
- Do I need to change the incentives for my people to keep them motivated during a crisis and in the 'new normal'? 



Responding to disruptions in demand

Practical steps to maintain and protect commercial resilience

Events like the COVID-19 pandemic can have a lasting impact on market dynamics. Beyond immediate actions, organisations can use such a disruption as an opportunity to reflect on their ability to understand and meet rapidly changing customer demand and behaviour. Businesses should consider taking the following actions to increase responsiveness and resilience.

	 Financials	 Markets	 Proposition & brands	 Customers & channels
Short-term	<ul style="list-style-type: none"> – Set up a robust 13 to 17 week short-term cash flow and reconcile with monthly financial forecasting, incl. profit and loss, balance sheets and funds flow – Assess impact of cash flow scenarios on reserves, facility headroom and financial covenants — revisit weekly – Evaluate funding strategies, options, lenders and other sources of capital 	<ul style="list-style-type: none"> – Assess how anticipated political interventions, incl. travel restrictions, border closures, and new regulations and policies will impact market access – Decide which activities to stop, start and continue based on the most impacted market / geographies, as well as the competitive landscape 	<ul style="list-style-type: none"> – Track patterns to identify which products and services are subject to increasing or falling demand in various scenarios – Review commercial arrangements (pricing, sales & service requirements) considering specific customer segments, needs and expectations 	<ul style="list-style-type: none"> – Empathetically understand customers and their immediate needs – Identify and segment customers in response to immediate changes in demand and buying behaviour – Ensure demands of your key customers are met and establish mitigating measures for the others – Review your go-to-market and strengthen online / digital channels for reaching out to customers
Mid / long-term	<ul style="list-style-type: none"> – Run risk appetite analysis: assess and prioritise investment portfolio according to new market environment – Establish a balanced cash management culture that values cash vs profit – Establish a sustainable strategic working capital program to ensure liquidity is optimised under normal and stressed conditions 	<ul style="list-style-type: none"> – Assess impact of crisis on market trends and regulations in the short / mid / long-term across your top geographies – Identify future drivers of competitive advantage – Identify markets / geographies that are likely to recover quickly and remain attractive 	<ul style="list-style-type: none"> – Review product and service portfolio, assessing the implications of sustained demand disruption across markets, segments, products and services – Identify where new demand is emerging and how existing resources and capabilities could be transferred, while also assessing the impact on current business 	<ul style="list-style-type: none"> – Design a dynamic pricing and sales response model to adjust prices rapidly and identify new value drivers for different customers – Advance ability to model and predict consumer behaviour – Develop new digital marketing and communications platforms to engage customers directly – Review channel strategies and enable the business to respond to new needs



Implementing operational resilience to withstand shocks and capture emerging opportunities

The maturity of an organization’s operational resilience has the potential to dictate whether an organization will survive crisis situations. The ability to withstand operational shocks and continue to deliver core business processes in such situations must be seamlessly integrated into the pursuit of delivery excellence, cost efficiency and operational effectiveness.

Operational model



Core business processes



Technology & operational infrastructure



Governance, structure & risk



People & culture

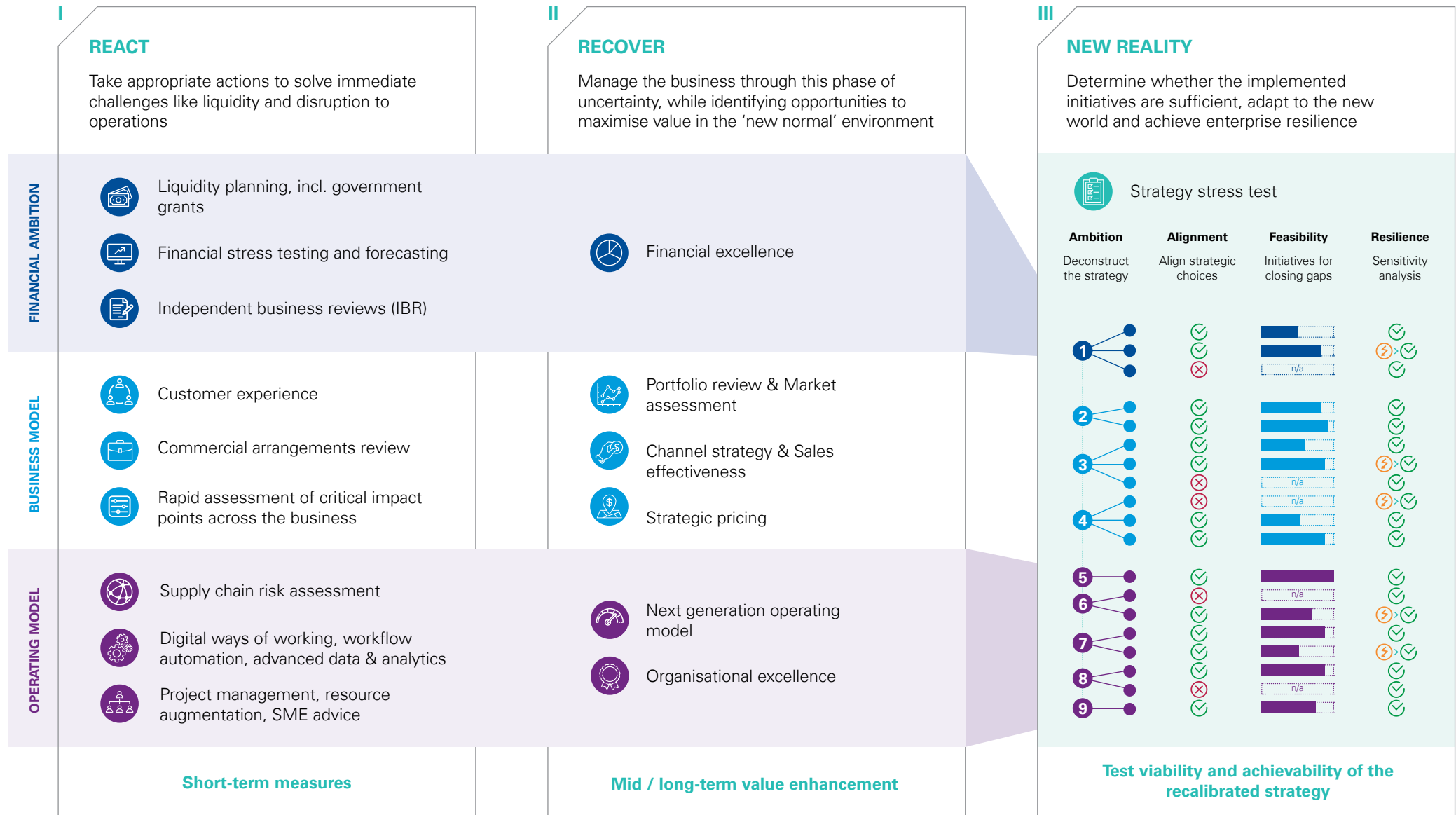


Measures & incentives

	Core business processes	Technology & operational infrastructure	Governance, structure & risk	People & culture	Measures & incentives
Short-term	<ul style="list-style-type: none"> – Identify minimum viable operating model and determine core processes – Map criticality of sourced components and raw materials to high-value revenue streams – Understand contracts with critical suppliers – liability, contingency, continuity clauses and other liabilities – Determine business exposure by identifying current / buffer inventory 	<ul style="list-style-type: none"> – Enable remote working and equip data centre, help desk and system managers with the capacity to meet revised business needs – Review implications for data security, including compliance and regulatory frameworks, to ensure data integrity along with data security 	<ul style="list-style-type: none"> – Create a governance structure to allow the management team to maintain a strategic and cross-functional approach in crisis situations – Recalibrate risk management capabilities, foster awareness and the application of standards to ensure a solid understanding of digital risks 	<ul style="list-style-type: none"> – Proactively drive communication with leadership and employees to provide business updates and manage expectations – Prepare communication and guidelines for the first day back 	<ul style="list-style-type: none"> – Establish an interim control set across critical value chain functions starting with people, crisis and incident management protocols, but also considering cyber risks
Mid / long-term	<ul style="list-style-type: none"> – Reconfigure global and regional supply chain flows, incl. evaluation of nearshore / in-house options to shorten supply chains and substitute suppliers – Develop a transparent supply chain to have a complete view of all participants – Foster collaborative relationships with critical suppliers – Digitise core processes wherever possible to enable remote operation 	<ul style="list-style-type: none"> – Re-evaluate strategic technology investments and accelerate programmes which actively support resilience – Enhance usage of intelligent automation and robotic process automation – Consider cyber security as part of the business and acquisition strategy 	<ul style="list-style-type: none"> – Shift from role-based to skills-based organisational design – Build internal workforce management capability – Implement a communication plan with a regular rhythm, established Q&As and help sites for all employees 	<ul style="list-style-type: none"> – Establish e-learning and a collaboration platform to promote new ways of working and maintain employee engagement – Define leadership that ensures teams do not work in silos and are aligned to the new and updated agenda 	<ul style="list-style-type: none"> – Communicate on employee bonus policy and promotion guidelines to decrease uncertainty – Reset incentive payouts to keep the sales team motivated



Embedding resilience in three phases





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