

COVID-19

RAPID CRISIS RESPONSE

CHECKLIST

BCG'S COVID-19 RAPID CRISIS RESPONSE CHECKLIST

	TEAM HEALTH & SAFETY	BUSINESS STRENGTH	FINANCIAL RESILIENCE
EXECUTION CLARITY	<p>Reduce risk of transmission</p> <p>Support those who are/ may be infected</p> <p>Reduce stress and boost morale</p> <p>Ensure compliance with regulatory requirements</p>	<p>Preserve top line and build trust with customers</p> <p>Reinforce ability to supply</p> <p>Adapt resources to meet business needs</p> <p>Monitor & respond to market and competitive dynamics</p> <p>Prepare for bounce-back scenarios</p>	<p>Manage cash and liquidity</p> <p>Ensure cost discipline</p> <p>Revise financial plan and perform scenario-based stress tests</p>
<p>Coordinate and scale response and planning adaptively</p> <p>Engage the organization</p> <p>Empower the team</p> <p>Lead with purpose & integrity</p>			

Designed to be digestible yet comprehensive for leaders, owners and operators

Treat this as a rapidly evolving document, current version as of 3/23

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Additional COVID-19 related thinking & material

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1 TEAM HEALTH & SAFETY

A Reduce risk of transmission

- Hygiene and cleaning**
- Adjust workplace cleaning protocol (e.g., increase in-office cleaning, reinforce station changeover SOPs)
 - Conduct health/temperature check for employees/visitors at workplace where warranted
 - Communicate personal hygiene good practices; educate on social distancing measures
 - Provide masks, wipes etc. for onsite employees

Separate teams to ensure they work in different, satellite locations and/or non-overlapping time slots (e.g., every other week)

- Implement A-team/B-team splits for onsite operations
- Restrict use of office for certain groups (e.g. visitors, non-critical personnel) and reduce in-person meetings (e.g., trainings, daily operations stand-ups), face-to-face interaction, and social gatherings
- Establish work-from-home (WfH) policies where possible and ensure appropriate technological infrastructure support (e.g., IT solutions, VPNs, virtual meetings including video-conferences)
- Adjust travel policies (e.g., reduce non-essential travel—especially to highly impacted areas, reduce cross-facility travel and third-party presence) and modify sick leave policies to align incentives and encourage precaution

LATEST AS OF 03/23/2020

For more information, visit <https://www.bcg.com/featured-insights/coronavirus.aspx>

B Support those who are/may be infected

- Introduce employee self-quarantine policy based on travel history/health status
- Create a safe channel for employees to notify company about an infection
- Provide contact information for tele-docs for remote counseling (and expand availability if needed)
- Establish policies around forced time off in case of infection/quarantine and refine paid time off policies—and return guarantees—to prevent sick employees from coming to work
- Identify, monitor, and protect critical personnel, roles, and activities

C Manage stress and boost morale

- Communicate proactively about all aspects of the business and efforts undertaken
- Organize information sessions and calls to address employees' questions
- Prepare for changes in environment (e.g., policy changes in the case of a reduction in government services such as school closures)
- Start thinking about target-setting and implications for compensation in a time of uncertainty

D Ensure compliance with regulatory requirements

- Ensure compliance with regulatory requirements (e.g., OSHA, FMLA, ADA in the US)
- Engage with work councils and unions as appropriate for respective region(s) of operation

2 BUSINESS STRENGTH (1 OF 2)

A Preserve top line and build trust with customers

Establish demand-side rapid response team to monitor marketing, sales and pricing implications

- Model top line revenue implications and adapt go-to-market strategies (e.g., implications for salesforce effectiveness)
- Monitor key metrics to prevent capitalizing on the crisis for short-term gains (e.g., price gouging)

Understand changing customer needs

- Reach out to customers to understand their situation and needs; communicate clear plan to mitigate risks and ensure business continuity
- Observe and respond to shifts in customer behaviors; use 01' and 08' shocks to predict likely shifts
- Define actions/messages to show confidence and ensure ability to deliver to customers (e.g., multichannel, people-light approaches)
- Build confidence with customers in small (e.g., sanitizer at POS) and big ways (e.g., mass outreach, adjust return policy)

Refocus product and service offering

- Evaluate opportunities to ensure stronger linkages with key customers (e.g., via contracts, discounts, financial support)
- Resource less affected channels, products and services appropriately (e.g., focus on online vs. offline retail)

B Reinforce ability to supply

Establish supply chain rapid response team to monitor and update assessments and actions

- Prioritize public health and safety-critical products and services and ensure alignment and awareness upstream and downstream
- Mobilize central “war room” to evaluate and address supply vulnerabilities and monitor risk daily
- Actively communicate to minimize business disruption from supply constraints (review impact on manufacturing, suppliers-tier 1/2/3, logistics)
- Implement product/service allocation processes for constrained assets and/or supplies
- Plan for reductions in range of offerings to reduce complexity while maximizing stakeholder/customer benefit

Understand liquidity and business position of key suppliers and associated risks

- Create “COVID-19 Supplier Audit”, assess critical vendors (also consider vendor risk given location, size, operational processes, etc.), and provide action oriented feedback
- Provide financial/non-financial support to value chain partners (if feasible)

Identify and mitigate risks with both immediate and mid-term view

- Activate alternatives and contingencies for critical components, operations, and logistics routes
- Plan for near- & long-term impact in conjunction with lead times & value chain (critical S&OP focused on 3-12 mos., not just immediate term)
- Evaluate alternative demand/supply scenarios and their impact on capacity, and determine mitigation strategies (new local sourcing, etc.)
- Shift inventory position to manage impact of near- & long-term market/health scenarios (e.g., safety stock/forward buying, space constraints)
- Ensure proper safety precautions inbound from suppliers and outbound from facilities with consideration to lead times

2 BUSINESS STRENGTH (2 OF 2)

C Adapt resources to meet business needs

- Identify and prioritize critical products/services needed for rapid response
- Focus on critical constraints in internal as well as external value chain elements
- Assess and manage Shared Service Center risks to ensure business continuity, in particular when offshored/outsourced
- Where possible, explore opportunities to partner with other companies to optimize resources (e.g., delivery companies borrowed staff from physical restaurant chains in China)

D Monitor & respond to market and competitive dynamics

- Leverage lessons learned from other countries where the crisis has progressed further (e.g., China)
- Track competitors' situations and actions to inform strategic, operational, and financial decision making
- Examine sector viability: Identify collaboration opportunities to accelerate resolution (e.g., collaboration to develop COVID-19-vaccine)
- Redefine budgets and targets as frequently as possible and necessarily (e.g., daily, weekly, monthly) by geography/market/segment
- Leverage intelligence (e.g., activate your salesforce for customer/distributor outreach surveys) to identify “inflection point” (when the situation gets stabilized and consumption confidence returns) & ramp up/redirect sales activities, inventory, trade support, and marketing

E Prepare for bounce-back scenarios

- Identify company-specific scenarios informed by potential macroeconomic scenarios (e.g., “W”, “U”, “L”, “V”)
- Ensure appropriate capacity (internal or external) to respond to potential shifts in demand
- Actively assess acquisition opportunities (e.g., distressed assets, countercyclical investments)
- Explore opportunities to configure “comeback marketing campaign” in advance, quickly pick up ad spending post-epidemic (craft new product and service story and create new selling points)
- Prepare for bold moves and implement learnings with regards to business model modifications

3 FINANCIAL RESILIENCE

A Manage cash and liquidity

- Establish liquidity office to forecast cash flows and manage/mitigate risks**
- Ensure rigorous, prudent cash management and governance and reduce non-critical uses of cash
- Prepare for significant changes to cash conversion cycle (e.g., cash terms with key suppliers and customers)
- Adjust working capital (inventory management and payment terms) to ensure ongoing delivery of high-priority products/services
- Review debt retirement schedule and covenants

Stress-test cash flow from financing/investing based on market scenarios

- Secure and/or access financing options (e.g., credit lines, revolvers); engage with debt holders/banks to discuss potential for extended financing
- Assess credit risks to current accounts receivable
- Review of commitments, MAC clauses and Force Majeure options

Assess viability of current investment roadmaps and dividend policy and share repurchase plans

- Postpone non-critical capital expenditure
- Rationalize short/medium-term capital spending unless it offers a clear longer-term competitive advantage
- However: Identify opportunities to bring forward asset enhancements if cash/liquidity is not an issue and asset not/only marginally utilized due to outbreak (e.g. store/hotel renovations, servicing of equipment)

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B Ensure cost discipline

- Ensure procurement control tower in place (e.g., PO authorization processes, active management of open POs and delivery schedules)
- Variabilize cost to as great an extent as possible (e.g., enabling voluntary LOAs, slowing or pausing discretionary hiring)
- Understand employee base (e.g., best attendance records, longest history with company) to prepare for uncertain future
- Avoid conducting business-as-usual under pre-crisis assumptions (e.g., signing lease agreements or renewals)
- Mitigate or redirect discretionary spend to build financial flexibility (such as marketing; however, avoid removing all ads and cautiously select marketing channels during epidemic)

C Revise financial plan and perform scenario-based stress tests

- Conduct scenario planning and develop action plan accordingly
- Perform financial and liquidity stress test and conduct rollings forecasts
- Engage with shareholders and assess activism vulnerability
- Revise target-setting and objectives (e.g., sales targets, production plans, related KPIs)
- Communicate financial resilience to key stakeholders
- Reset investor expectations around guidance (e.g., top-line, EPS) with a focus on the medium-term
- Explore alternative and deferred compensation models for high-earning colleagues

4 EXECUTION CLARITY

A Coordinate and scale response and planning

Set up a central, cross-functional, rapid-response team (PMO) to make clear decisions, and monitor/take control of the situation (enabled with necessary decision authority and sufficient staffing to take a day-to-day agile approach to navigate changing environment)

- Identify critical processes and key resources (HR, Finance, Procurement, IT, Legal, Real Estate etc.)
- Set up daily rapid response meetings to provide fact-based analysis to enable fast, high quality decision making

 [CLICK HERE FOR SAMPLE RAPID RESPONSE PMO STRUCTURE](#)

Develop concrete action plans based on 3-5 medium-term scenarios (i.e., “W,” “U,” “L,” “V”) and clearly communicate action plans to key stakeholders

- Macro: Vary scenarios by shape and severity of broad economic impact
- Internal/company-specific: Build view on potential impacts to team, P&L, cash flow, and balance sheet
- Identify, track, and mitigate existing and new risks

Protect leadership continuity

 [CLICK HERE FOR MORE ON TEAM HEALTH & SAFETY](#)

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B Empower the team

- Tell your employees what they should be doing in order to prevent organizational paralysis, confusion and misinformation communicate, - communicate, communicate!
- Provide clear direction on operational boundaries and principles (e.g., owned and shared accountabilities, decisiveness, entrepreneurial mindset, act rapidly & flexibly and be engaged) to enable frontline leaders to execute
- Establish a two-way communication / Q&A channel

C Engage the organization

- Gauge current sentiment within organization (e.g., via short online survey, dedicated communication channels, cascading team calls)
- Provide honest and frequent 360-communication through multiple channels
- Set up a digital information hub for all the latest policies and information
- Unlock discretionary effort beyond regular roles and responsibilities by suggesting “if you want to be involved in X, then contact Y”

D Lead with purpose and integrity

- Find ways to support your employees, community and society
- Reinforce your vision, mission & purpose and/or highlight critical elements of your company’s value to customers
- Leverage your resources/network to make a difference by providing products and services (beyond monetary donations) to affected people at your company and in your communities

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