Never waste a crisis

Coming out of this unprecedented adversity stronger

June 2020

As many countries and regions begin to emerge from the initial outbreak of the Covid-19 pandemic, organisations need to rethink their priorities, given the current and ongoing level of uncertainty.

There is no debate on the desire to rebuild and get back to serving customers in a profitable way. But what that recovery path will be, how long it will take, and whether specific sectors will ever return to how they operated before the pandemic is not so clear. Business leaders need to be prepared for a range of scenarios and equip their teams appropriately. There are substantive questions to be addressed at the board level:

- How will the organisation make decisions and implement them in the rapidly changing business environment?

- How will the organisation deal with fast emerging and substantial opportunities as well as risks?

- What should be done in order to be efficient and effective, considering the rapid rise of digital working?

- Should organisations be investing for the future given the current business climate?

Here we explore six key action areas for executives to focus on to deal with these questions.

1. Resurrecting demand and driving revenue growth

Understanding customers' changing needs

Significant and persistent shifts in customer demand, and the heightened importance of brand perception, means staying tuned in to the customer is as important as ever.

- Invest in consumer research and key trends to strengthen market intelligence to understand and plan how to meet emerging needs in a dynamic way

- Continuously evaluate customer behaviours and experience around key touch points to identify gaps that need to be addressed and build on what delights them

- Review brand perception, especially how corporate actions have been perceived during the initial outbreak, how that has driven customer behaviours, and how brands can leverage the learnings through recovery

Focusing on pockets of profitability

Primary sources of revenue and profitability may have shifted in unexpected ways during the pandemic.

- Take decisive action to support and grow with the customers, services, or products that are currently profitable allowing the organisation to leverage pockets of strength

- Re-orient marketing plans, provide tailored promotions, and enhance development of products or services

- Focus on retaining the relevant customer base and attracting new customers to more profitable segments

Understanding local government and environment

Local environments have varied hugely in terms of the status of the outbreak and local governments' responses to it.

- Use local teams to stay close to regulations and government strategies that can change rapidly and unexpectedly

- Understand how local changes affect consumer behaviour and impact strategies to fulfil consumer demands

- Empower local management to to be able to respond rapidly and, in a way tailored to the local situation while providing visibility to regional / global management for effective strategic support

2. Re-thinking strategic investment and the organisational model

Targeting investment beyond the short term The pandemic has caused significant shifts in markets everywhere, creating opportunities for investment and growth.

- Re-evaluate where the company has been focusing investments, determine if they remain valid, and look beyond immediate liquidity concerns to make targeted investments to support anticipated demand growth for the future

- Decide where to invest and how to expand and adapt core offerings to meet emerging demand in new areas as well as utilise growing channels to market, specifically e-commerce

- Consider making acquisitions even in distressed conditions

Assessing the best fit organisation governance and structure Covid-19 has demonstrated the importance of having a "smart mix" of centralised and decentralised responses in order to respond quickly and effectively to divergent market needs.

- Local country and regional teams are likely in the best position to evaluate and deal with increasingly local government strategies, customer behaviours, and re-build supply chains on a more regional basis

- Central or global teams still have a key role to play in strategy, innovation, digital and ensuring the right global strategies and priorities are set across business groups

3. Sustaining value from the initial crisis

Maintaining agility and flexibility gains Covid-19 has already fundamentally changed the way many organisations do business; the impact of the pandemic has been very rapid. Many have utilised improved collaboration tools and techniques, enabling large scale and effective flexible work patterns, simplifying decision making and drastically increasing speed of execution.

- Prioritise process improvement and re-engineering initiatives to optimise performance, eliminate waste and inefficiencies, and streamline activities, whilst remaining resilient where necessary, given the level of uncertainty that remain post Covid-19

- Leverage newly implemented ways of working that previously few would have through possible to apply so fast, making sure the benefits become "business as usual" and leverage the accelerated digital transformation prompted by Covid-19

- Instil a mindset in the organisation to ensure adequate consideration of broader, substantive risk as taking decisive action and moving fast will be a key dynamic for many successful organisations in the future
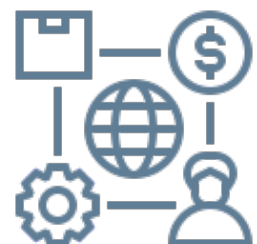
Continuing cost containment Cost containment remains a major concern as businesses seek a return to growth and profitability. Many have the dilemma of how far to go with making substantive changes to headcount or fixed costs which may impact the company's capability to bounce back.

- Continue with containment measures on cash outflow to reduce variable costs in particular and to carefully evaluate which measures can remain in place even as operations resume

- Critically monitor containment measures to ensure that they do not inhibit growth opportunities that may emerge as the restart unfolds

4. Restarting operations and supply chains

Enhancing demand and supply risk management Businesses have had to address a large number of interdependent and critical challenges simultaneously. They have had to contend with dynamic and substantive risks arising from pandemic-related demand changes, socioeconomic considerations, geopolitical factors, de-globalisation trends, and the impact of tariffs.

- Expand demand and supply analysis while organising to evaluate these risks for specific products and sectors, distribution channels, manufacturing and supplier situations in order to understand the challenges and alternate scenarios

- Focus on updating models and improving visibility of the supply chain to determine what mitigations, including diversification and/or localisation, should be implemented

Re-evaluating supply chain optimisation strategies to improve resilience Certain approaches that have made supply chains efficient – such as an emphasis on highly optimised strategies for sourcing, inventory planning, production scheduling and order fulfilment – may now be potential liabilities in the post Covid-19 environment.

- Consider alternative approaches, such as absorbing costs for stockpiled inventory of key components, which may offer additional resilience and agility in this volatile environment

- Maintain a holistic view and remain open to seemingly sub-optimal steps – those introducing redundancy or inefficiency – to address new vulnerabilities

- Localise supply chain sourcing to better manage the portfolio of commercial, political, and operational risks being faced

Ensuring effective and proactive disruption management With so much uncertainty, there is an increased level of volatility to be managed across supply chains.

- Take a proactive approach to supply chain disruption, ensuring that what triggers disruption and what data is possible to obtain to forecast it is leveraged and pre-emptive actions taken

- Have effective cross-discipline teams that can work together with clear line of sight and decision making to deal with disruptions when they occur

5. Leveraging technology to enable new ways of working

Embedding data-driven decision making Data is only as valuable as the insights it drives. This requires having both data sets with richness in depth and breadth and the right tools to quickly and accurately synthesise data into information.
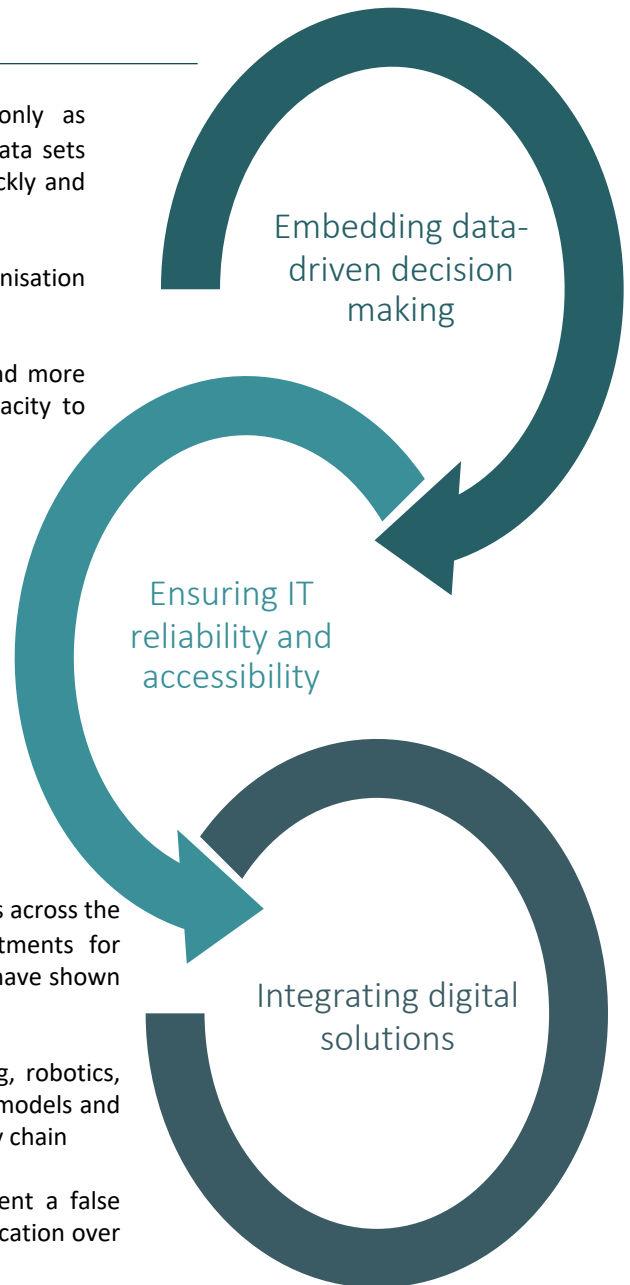
- Craft a clear vision of how data can best impact the organisation and invest in aligning managers in support of this vision

- Empower operational teams to leverage data for faster and more effective decision making while preserving leadership capacity to cover strategic matters

Ensuring IT reliability and accessibility As digital platforms for customers and suppliers and cloud-based systems for employee collaboration continue to increase in importance, it is critical for companies to ensure reliability and increase accessibility.

- Continue acceleration towards digital transformation and meeting e-commerce demands even as cost containment puts pressure on investment capacity

- Craft technology roadmaps to ensure that the transformation is addressed urgently and sustainably

Integrating digital solutions Implementing digital solutions across the business remains a key topic and making the right investments for competitive advantage. The rapid changes in ways of working have shown what can be done at speed.

- Consider emerging digital technologies such as 3D printing, robotics, automation and drone use that are enabling new business models and increasing efficiency across the business including the supply chain

- Critically evaluate technology solutions as they may present a false economy if other options are considered – for example relocation over automation

- Ensure that technology and data solutions are selected based on value, creating a smarter, more collaborative and more resilient operation

Embedding data-driven decision making

Ensuring IT reliability and accessibility

Integrating digital solutions

6. Building employee trust around safety and security

Ensuring physical safety

Companies must implement physical safety measures to comply with new regulations and guidance for employees and customers alike.

- Ensure that these safety protocols are comprehensive, thoughtful, and clearly communicated to serve as a foundation for rebuilding trust

- Incorporate new protocols including social distancing in workspaces, reconfigured teams (shift work, daily rotations), and new hygiene measures (masks, single-use utensils, regular disinfection measures)

Managing employee expectations

Employees will have differing attitudes towards returning to the office and the new safety measures that entails. Some will be assiduous in adhering to safety precautions while others take measures haphazardly or be undisciplined, resulting in potential conflict.

- Create a culture with clear expectations that are consistently applied across the organisation to meet local needs, to ensure that employees' well-being and behaviour is monitored transparently and with empathy

- Provide positive reinforcement focusing on effective safe working in groups while ensuring executives lead by example

Investing in digital resilience

As the use of digital tools has increased for both professional and personal reasons, cyber-attacks and cyber-crime have also increased.

- Ensure the safety and security of employees, customers and the business, by investing in driving employee awareness of protocols, policy, attack / compromise indicators, and reporting / response expectations

- Provide effective guidance and support for sustained remote working infrastructure so that employees have adequate, consistent protection to safely enable flexible work arrangements

Conclusion

Organisations need to be fit for the future and be ready to deal with a wide range of scenarios they may find themselves in. By addressing these six areas, executives should be able to get their organisations well prepared for what is to come, including:

- Having the capability and structure to be flexible and versatile enough to respond fast and decisively to substantive and ongoing uncertainty given diverging local needs

- Having empowered local or regional teams to evaluate divergent environments and take action to realise opportunities and manage risks

- Leveraging efficiency gains made during the recent turmoil and devise a path to transforming how they work

- Deepening the connection with employees and customers, to build trust and relevance

A more decentralised organisational model, allowing for more effective local response to diverging situations in local markets, may well yield benefits. Recognising that this means a more diverse way of operating globally is something corporate head offices will need to consider carefully whether it is appropriate, and how they should align their governance structures to manage it.

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