



# A CEO Plan for Coronavirus: Actions to Take Now

The Covid-19 outbreak is unlike any previous crisis: traditional crisis-response approaches will not be sufficient. CEOs need to act now, and act aggressively.

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Let's start at the top: Take care of your people. Around the world, that's everyone's first duty—to themselves, their loved ones, their friends and neighbors. For millions of brave healthcare workers and others, it means caring directly for those who are sick.

If you're a CEO, taking care of people also means taking care of your employees and customers. This crisis brings into sharp relief that it's the efforts of employees and the loyalty of customers that will see a company through these extraordinary times. The job of the CEO, simply, is to do everything possible to make sure they're taken care of.

That principle is the first of the priorities in the CEO action plan we lay out below, but it's woven throughout the other priorities as well. Of course, any CEO must consider what's happening to revenues right now. Our prescription, though, goes back to people. The best way to take care of revenues now is to focus on their ultimate source. Do what's needed to build trust and loyalty with your customers now, and that loyalty will survive beyond this crisis. Remember, there will be a beyond.

Finally, this crisis will change us all. It's hard to step back right now, but as CEO, carve out time to think about what the future will look like, how employees and customers will be changed by this crisis, and what your company will need to do to meet their new needs.

## The situation

- The process of containment and slowing the spread of Covid-19 in each country will **create major disruption in itself**, irrespective of the seriousness of the virus spread
- Prepare for the worst, and be thankful if it doesn't happen; a **wait-and-see approach is a nonstarter**
- There's a high likelihood of a substantial revenue disruption, leading to a **potential liquidity crisis** for many businesses
- The recovery may not be a quick bounce-back; plan for **multiple quarters of lower revenue**
- Employees and customers are probably experiencing **fear or panic**
- You need to appoint a senior, fully dedicated **Covid-19 war room team** focused on this all day, every day
- As CEO, you must be out in front with a **planned cascade of possible actions**, probably **more aggressive** than your team can imagine right now
- **Customers will change some behaviors permanently**, accelerating prior trends; **bold action now** can set you up for success through the downturn and beyond

## Actions to take now

There are several moves that CEOs can take right now to help mitigate the effects of the outbreak and come through stronger on the other side.

# CEO Checklist: Six Urgent Priorities



## Protect your employees and customers

- Implement the best-known guidelines available for both employees and customers; overinvest
- Monitor global health guidelines and other companies—and continue to fine tune
- Overcommunicate with full transparency
- Assist epidemic-limiting initiatives in any way possible



## Stress test P&L and liquidity

- Outline macro scenarios by market, translate into revenue-decline and P&L scenarios
  - Units, revenue, costs
  - Capex, working capital, cash/liquidity
  - 13-week, four-quarter outlook
- Build extreme downside scenarios; this has the potential to be a 100-year event
- Outline major operational actions
  - Do-now hand-brake actions vs. do-later break-the-glass initiatives



## Defend against revenue declines

- Take a customer-centric view; how will you build trust, loyalty and market share through and beyond this crisis?
- Build specific revenue-mitigation actions for declines in core revenue streams
- Pivot resources to pockets of current and future growth, online and beyond



## Stabilize operations for the new normal

- Stabilize supply chains of physical goods from likely geographic and labor disruptions
  - Manufacturing, distribution, suppliers, suppliers to suppliers
- Build contingency operational plans for all aspects of the business
  - Frontline facilities, costs, variable labor staffing
  - Cross-regional variations in utilization
  - HQ, IT



## Plan urgent cost cuts to conserve cash

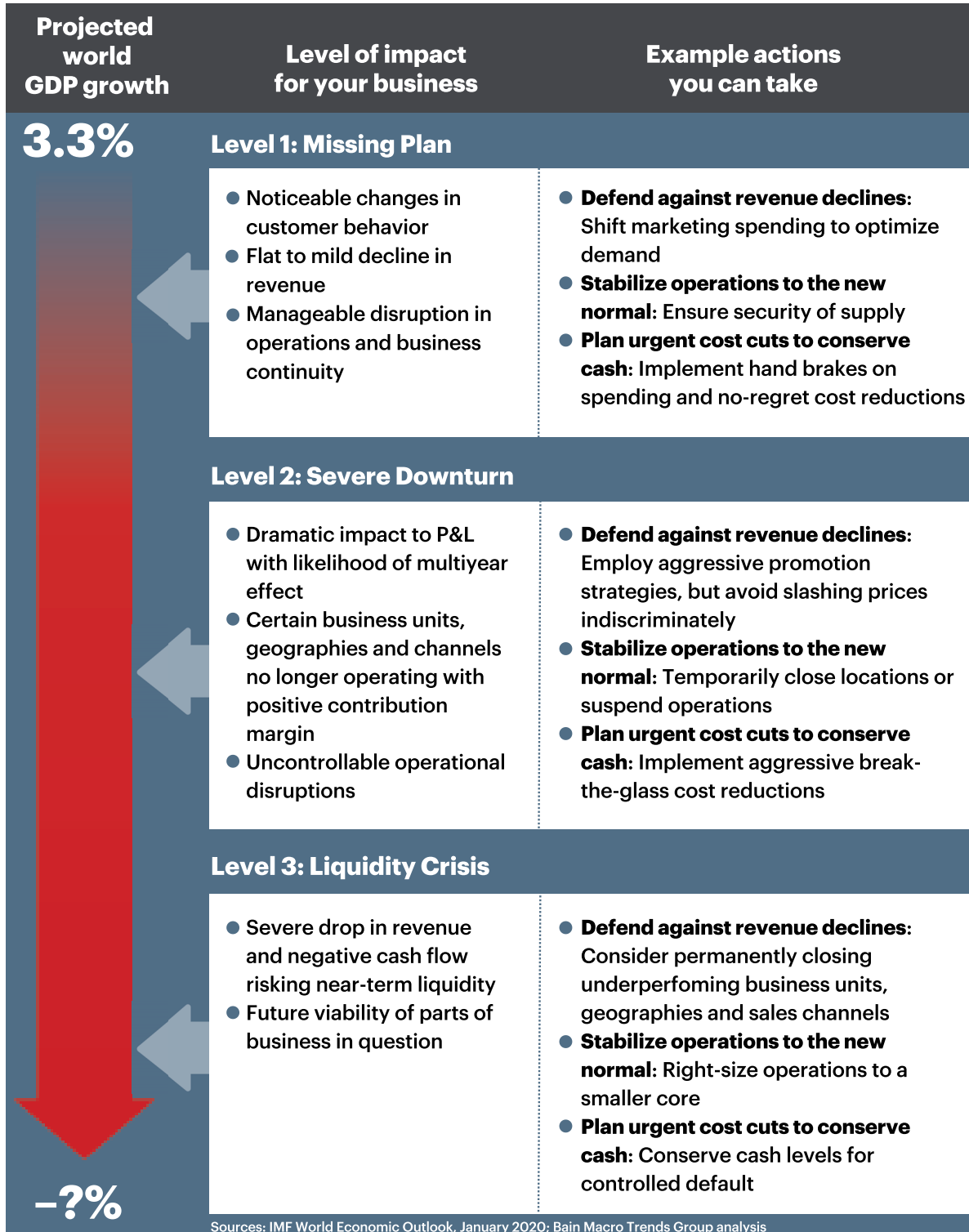
- Spending hand brakes
  - Immediate actions (e.g., hiring freeze, opex, capex, working capital)
- Set aggressive break-the-glass cost actions triggered by more extreme revenue scenarios
  - This is (may be) about saving the company—no ideas are too extreme
- Medium term, outline a plan to lean out the cost structure for the future—more automated, more variable, more shock resistant



## Play offense, not just defense

- Define how you'll outperform competitors and expand share through and beyond the crisis
  - M&A roadmap
  - Product/service/customer intimacy investments
- Prepare for bounce-back and recovery
  - E.g., marketing investment, monitoring macro trends for "if, then" moves
- Plan for and take advantage of a leapfrog change in customer behavior—especially digital

As the economic fallout continues, business leaders will want to first model their exposure to the coronavirus fallout and stress test their P&L and liquidity. There will be critical “triggers” where more aggressive actions will be needed (see figure below).



Sources: IMF World Economic Outlook, January 2020; Bain Macro Trends Group analysis

## Getting started

We recommend immediately launching three actions simultaneously:

### **Align your senior team with a wake-up call**

- Get the full team aligned with the true severity of the macro Covid-19 situation and worst-case financial scenarios
- Set safety as the No. 1 priority...
- ... and cash conservation and liquidity a close No. 2.
- Avoid inaction; “wait and see” could damage the company

### **Establish a dedicated senior team in a war-room setting**

- Set up a senior, dedicated team from multiple disciplines (ops, sales, HR, finance)
- Prioritize and put major work streams into action; set a tone of daily progress using Agile approach
- Break the usual reporting and update cycles; urgency requires a different model, such as daily informal CEO updates
- Put a tracking tool in place

### **Outline macro scenarios and translate to contingency plans**

- Outline specific macro Covid-19 scenarios, by major geographies
- Translate those scenarios into tangible revenue-decline and operational-disruption scenarios
- Begin to outline no-regret moves—there will be an impact; start acting
- This needs to be done in days, not weeks (and you can continue to iterate)

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## Map out a war-room plan

After getting started, set up a plan for at least 6 weeks out, broken out into stages.

# The Coronavirus War-Room Plan

## Launch (Day/Week 0): Get set up and manage the process

### Align your senior team with a wake-up call

- Host a workshop with senior leaders

### Establish a dedicated senior team in a war-room setting

- Set up the team
- Specify work stream owners
- Establish decision rights
- Put in place a complete tracking tool
- If needed, call in external experts to help manage situation

## Weeks 1–3: Lay the groundwork and fix immediate priorities

### Protect your employees and customers

- Assess safety across all people: employees, customers, suppliers, etc.
- Implement the most aggressive CDC protocols

### Model your exposure; stress test P&L

- Conduct initial assessment on external and internal scenarios across revenue, cost, cash and operations

### Focus on immediate priorities/no-regret actions

- Make swift needed decisions (e.g., cost, ops, revenue)



## Weeks 3–5: Focus on critical action plans

### **Defend against revenue declines**

- Develop immediate actions, and medium- to long-term actions
- Assess both downside and upside opportunities

### **Stabilize operations to a new normal**

- Prepare critical operations: sourcing, manufacturing, supply chain
- Build contingency plan for other operations

### **Plan urgent cost take-outs to conserve cash**

- Plan for rolling four-quarter, 13-week and immediate liquidity actions
- Improve cost position for the medium to long term

## Week 6: Focus on medium to long term

### **Play offense, not just defense**

- Assess methods to outperform competitors (M&A, product moves, etc.)
- Prepare for bounce-back and recovery (assess marketing spending, leverage macro trends)
- Plan for and leverage a leapfrog change in customer behavior

## Weeks 0–6: Ongoing actions

- Maintain a program management office (using Agile; start building two-wave list of hand-brake vs. break-the-glass initiatives)
- Build and execute a communication and engagement plan

## How Bain Can Help

### Workshop with your senior team

- Share macro outlook and align on the magnitude of the disruption ahead
- Share best practices and run ideation sessions
- Establish a blueprint for action

### Deep dive on the most critical areas

- Develop a detailed action plans with milestones and trigger points for more important focus areas

### Organize your war-room approach

- Launch the team, align on team decision rights, develop CEO/board fast-tracked decision rights and clarify work streams
- Get a rhythm going (e.g., Agile, daily huddles)
- Lead/coach the transformation office (such as building a list of actions; hand-brake vs. break-the-glass initiatives)
- Put a tracking tool in place

### Scenario modeling

- Lead an assessment of company exposure and stress test the P&L (e.g., scenario analysis across revenue, cost, cash and operations)
- Outline actions triggered by worsening scenarios

### Go on offense

- Begin scanning organic growth opportunities, as well as front-running recovery plans
- Develop a strategy to prepare for shifts in customer behavior

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