

# COVID-19 RAPID CRISIS RESPONSE CHECKLIST

For more information, contact BCGRapidResponseNetwork@bcg.com

LATEST AS OF 03/21/2020

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# **BCG'S COVID-19 RAPID RESPONSE CHECKLIST FOR LEADERS**

# **TEAM HEALTH & SAFETY**

**Reduce risk** of transmission

Support those who are/ may be infected

**Reduce stress** and boost morale

**Ensure compliance with** regulatory requirements

### **BUSINESS** STRENGT

Preserve build trust

Reinforce to supply

Adapt rese meet busi

**Monitor &** market an dynamics

**Prepare fo** scenarios

# **EXECUTION CLARITY**

**Coordinate and scale** response and planning adaptively

**Engage the** organization

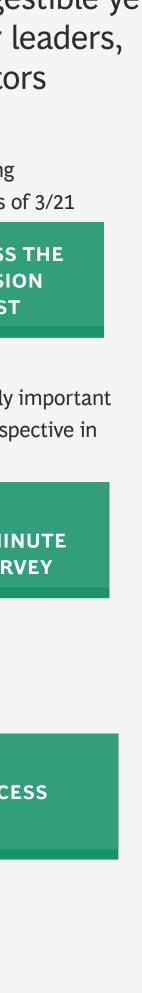
Empower the team

Lead with purpose & integrity

S 'H	FINANCIAL Resilience	Designed to be digestibl comprehensive for leade owners and operators
top line and at with customers	Manage cash and liquidity	Treat this as a rapidly evolving document, current version as of 3/21
ability	Ensure cost discipline	CLICK HERE TO ACCESS THE MOST RECENT VERSION OF THIS CHECKLIST
sources to iness needs & respond to nd competitive	Revise financial plan and perform scenario- based stress tests	Help us enhance this critically import checklist by sharing your perspective our survey CLICK HERE TO PARTICIPATE IN A 5 MINUTE BENCHMARKING SURVEY
or bounce-back		Additional COVID-19 related thinking & material
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SUPPLY CHAIN

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

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- Lead with purpose & integrity

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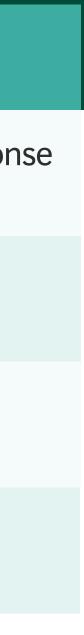
CASH OFFICE

Marketing, Sales & Pricing

**COMMERCIAL RESPONSE** 

SALES









# **1 TEAM HEALTH & SAFETY**

# Reduce risk of transmission

### A. 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
- B. 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

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# Support those who are/may be infected

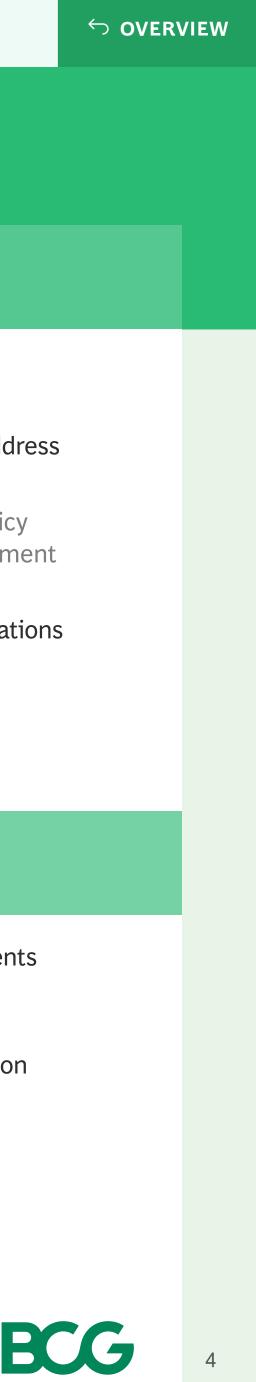
- Introduce employee self-quarantine policy based on travel history/health status
- Create a safe channel for employees to notify company about an infection
- Provide contact information for tele-docs for remote counseling (and expand availability if needed)
- Establish policies around forced time off 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

### 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

# IV 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 I/II**

### **Preserve top line and build** trust with customers

- A. 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)

#### **B. Understand changing customer needs**

- □ Reach out to customers to understand their situation and needs; communicate clear plan to mitigate risks and ensure business continuity
- $\Box$  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)

#### **C. 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)

# **Reinforce** ability to supply

#### D. 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

### E. Understand liquidity and business position of key suppliers and associated risks

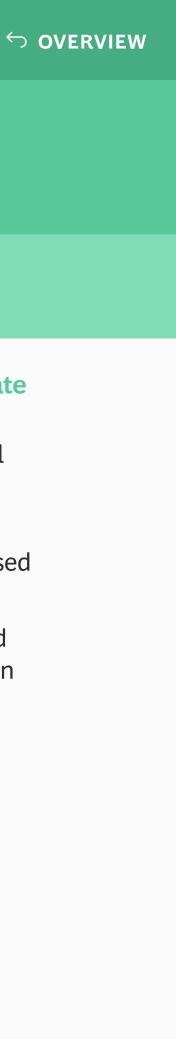
- □ Create "COVID-19 Supplier Audit", assess critical vendors (also consider vendor risk given location, size, operational processes, etc.), and provide action oriented feedback
- □ Provide financial/non-financial support to value chain partners (if feasible)

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#### F. 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





IV

# **2 BUSINESS STRENGTH II/II**

#### 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)

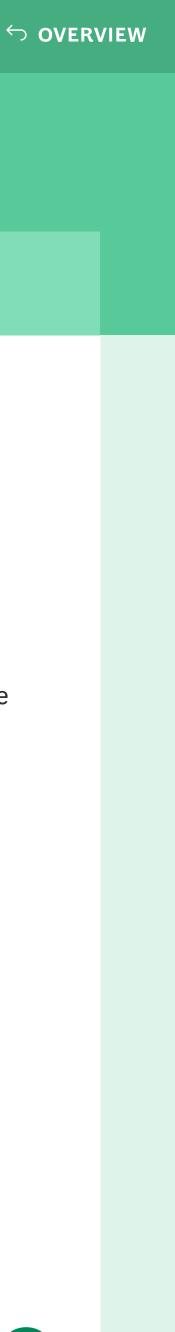
# Monitor & respond to market and competitive dynamics

- □ 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

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### **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**

# Manage cash and liquidity

#### A. 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
- **B. 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

#### **C.** 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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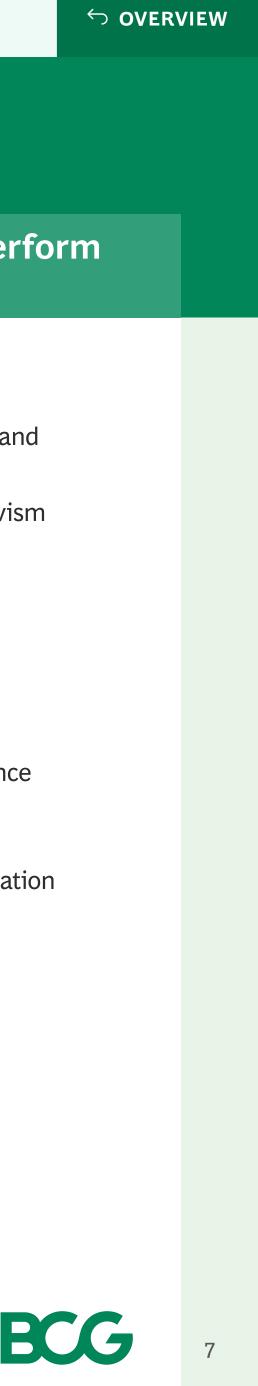
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# **Ensure cost** discipline

- □ 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)

#### **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**

### **Coordinate and scale** response and planning

- A. 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

유 <sup>옷·유</sup> CLICK HERE FOR SAMPLE RAPID RESPONSE PMO **STRUCTURE** 

- B. Develop concrete action plans based on 3-5 mediumterm 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 $\sim$ **TEAM HEALTH & SAFETY**

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### Empower the team

- 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

#### Engage the organization

□ Tell your employees what they should be doing in order to prevent organizational paralysis, confusion and misinformation communicate, - communicate,

- □ 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"

### 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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