



Coronavirus
response:
Strengthening
business continuity
and resilience to
disruptive events



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The coronavirus outbreak is causing unprecedented levels of disruption and uncertainty – a complete picture may not emerge for some time.

Whilst authorities grapple with balancing containment measures against the cost of social and economic disruption, the immediate need for businesses is to rapidly assess and respond to the company-specific impacts of the coronavirus outbreak (COVID-19) to business continuity and long-term viability.

The full impacts of coronavirus will not be understood for many months and will vary both by industry and a company's unique end-to-end ecosystem: its workforce composition, supply chain and operating model. Some organisations may experience relatively limited impacts, for others the outbreak will highlight areas of operational weakness and risk.

Early decisions will give business greater options when any impacts become felt, therefore forming a response now is paramount.

Two critical questions for businesses:

1. How to quickly understand their immediate exposure to coronavirus disruption and effectively navigate their response?
2. How to better equip themselves to be more resilient to future major unpredictable events?

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If decision-makers accept that the situation is very fluid and make proactive choices now, they'll put their organisation in the strongest position for the coming months. Scan where you're at, focus on the critical aspects for your business and act.

Paul Robertson, Business Resilience Lead

How EY can help

Our Risk, Resilience and Trade team is supporting business of all sizes with pragmatic workshops and focus-meetings. The multi-disciplinary team draws on insight from helping hundreds of organisations with Brexit readiness planning, global supply chain strategy and business risk.

To discuss any of the issues raised, please contact the team at the end of this paper or your usual EY contact.

A rapid yet comprehensive cross-functional impacts review is critical to cut through the hype and media noise, focus on your business-specific exposures, and mobilise your short-term crisis response.



How could the coronavirus impact business?

The situation is dynamic and impossible to predict with organisational exposure uniquely impacted by industry, geographies and operating models. These factors are compounded by complex, international supply chains and global travel. Major areas for many businesses will include:

People

Employee welfare and workforce management tops the list of business concerns. For those with front-line consumer interaction, there is an inherent risk of virus exposure in the normal course of work. Travel restrictions also impact normal ways of working and remote working is not always a viable option. Consideration must also be given to supporting globally mobile workforces, business travellers, international assignees and contractors.

National government and global responses

The World Health Organization provides guidance but governments make decisions on how best to protect citizens and national interests – such as border closures, restrictions on travel or group gatherings and imposed quarantine. Leading businesses also pre-define internal alert levels that dictate local response scenarios – e.g., in terms of staff travel or meetings – to direct the efficient and consistent responses across their sites.

Global trade and supply chain

Globally-interconnected supply chains meant the first shockwaves were rapidly felt from the initial outbreak in China. An immediate focus is short-term mitigations to minimise impact such as alternative ports and component sourcing, but dual sourcing strategies and critical reviews of trade-routes will likely increase.

Finance management

More frequent cost impact reporting and revenue forecasting may be required given volatility and localised anomalies. Results and operational changes may generate a need for new funding or existing funding to be redirected. The knock-on effects could have consequences for pricing and tax strategies.

Customer demand

Consumer behaviour and shopping patterns will impact demand. For example, an increase in online vs bricks and mortar. Panic buying or supply chain issues may cause shortages or for certain products to become unavailable.

Financial markets

The impact of share price and economic volatility may have implications for transactions, financial reporting, company disclosure obligations and other statutory duties.

Legal and contracts

Businesses will need to consider how they can best mitigate the legal risks of contractual non-performance (penalties, cancellation, termination, etc); whether their own or in their wider supply chain. Understanding the risks in the contractual landscape and identifying preventative actions quickly will be key to minimising loss and supplier dispute.

Seven key coronavirus response recommendations

Businesses will be judged in real-time on how they manage the challenge, their behaviour and strategic choices. An informed response could build trust and brand affinity whereas poor decisions will pose a real reputational risk.

1. Build a trusted team

Bring together a crisis management team of key decision-makers including but not limited to: leadership and strategy, operations, HR, communications and corporate affairs, legal and risk, and country-specific representation. Empower the team to make and implement decisions quickly.

2. Review the current plans and capability

Perform an immediate review of any existing or activated business continuity or contingency plans. The situation is fluid and rapidly evolving therefore internal and external assumptions will have moved on – plans will need to be refreshed and capability gaps bridged.

3. Utilise timely intelligence

Maintain situational awareness by gathering up to date and accurate information from trusted official sources and experts. Cascade the business-relevant facts to your teams and encourage them to not get distracted by media panic.

4. Operate a deliberate response to an agreed rhythm

Ensure your business response operates at a speed determined by the leadership:

- ▶ Avoid waiting for new decisions or actions to be dictated by outside factors
- ▶ Limit knee-jerk localised decision-making

5. Understand exposure to third party risks and impacts

Assess the reliance on 3rd parties in your network, their vulnerability to failure and potential viability impacts. If possible extend this risk review to their supplier networks. These factors may have commercial implications – e.g., contractual liability for unforeseen costs, delay penalties or termination risk, insurance cover (and any limitations/exclusions), force majeure and hardship clauses.

6. Communicate and engage

Staff, suppliers and customers are all likely to be worried and impacted directly or indirectly from coronavirus.

- ▶ Engage staff in a consistent dialogue about actions you are taking to protect and support them
- ▶ Engage with suppliers to properly pinpoint the most material risk exposures and jointly define mitigations
- ▶ Keep customers and wider external stakeholder groups informed and promote confidence in your business resilience via clear and consistent messaging

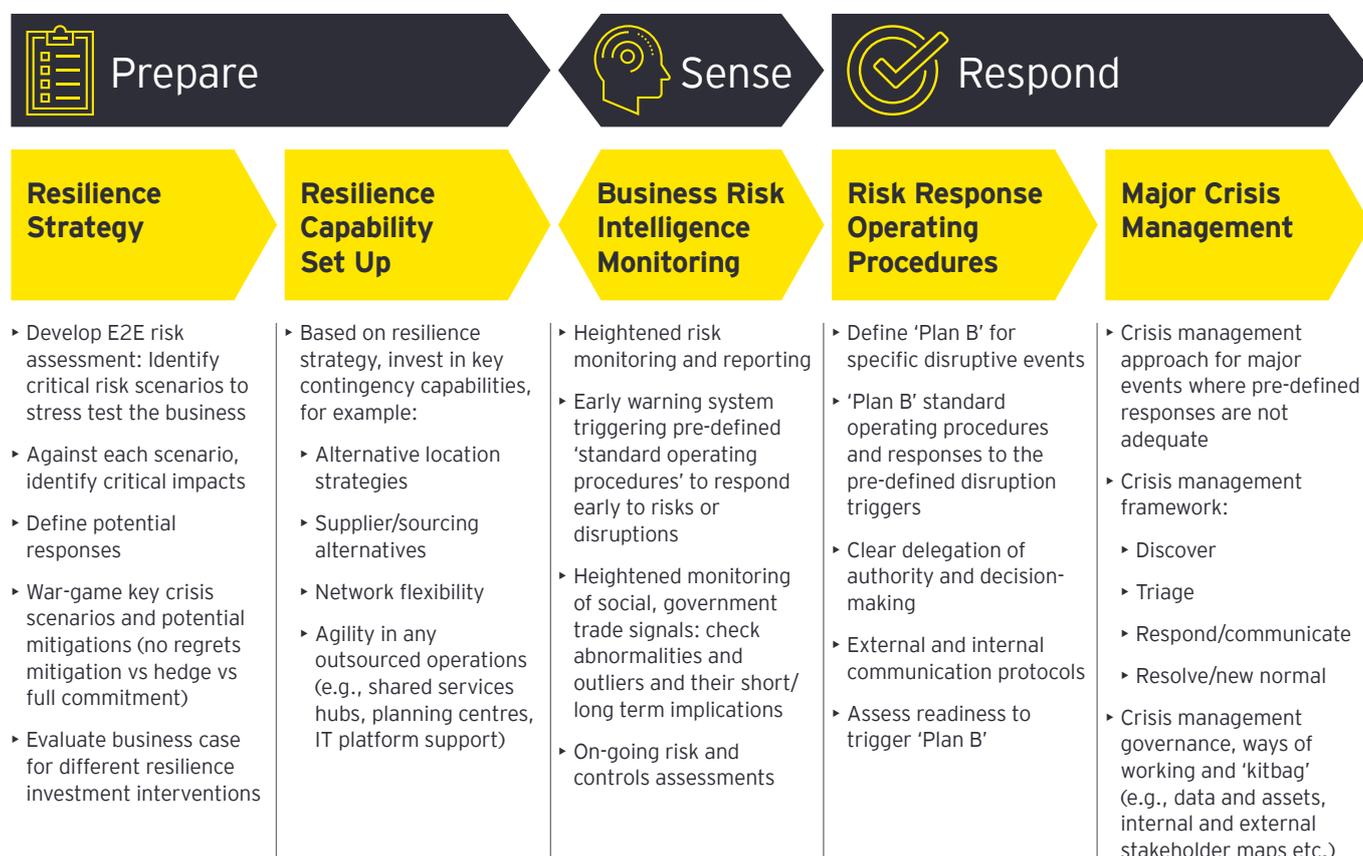
7. Establish or reinforce your crisis response process

Ensure that all functions, sites or countries in your network know the firm-wide approach to crisis management and the response protocols. Advise teams on who holds the mandate for decision-making and comms at leadership and local levels, given the need to potentially act at a much quicker pace than is usually expected.

How can businesses better equip themselves to be more resilient to major disruptive events or rapidly evolving crises?

Further epidemics or major health emergencies are a given – indeed, there are likely to be additional phases of the current coronavirus outbreak. Trade wars and the potential impacts of Brexit may also test businesses resilience but unpredictable events can be most disruptive. A business continuity plan is therefore a basic requirement but leading companies are focused on an evolving resilience strategy.

To effectively build a resilient business, companies need to focus on five key capabilities. This EY framework can be applied across all aspects of the business operating model or parameters, but in particular for people and physical supply chains.



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