

# CORONAVIRUS (COVID-19) BUSINESS IMPACT AND RISK RESPONSE GUIDE



## Introduction

COVID-19 is a new virus. The lack of immunity in the population and the absence of an effective vaccine mean that COVID-19 has the potential to affect huge numbers of people. The current modelling data seems to show that the people all around the world have been significantly affected and so the businesses are.

The rapid outbreak of the virus also presents a significant business challenge. Many businesses are having to test their preparedness in real time as they evaluate the potential impact it may have on their operations, supply chain and employee well-being. Some businesses are finding it difficult to meet their contractual obligations despite their best intentions. Industries that may be particularly affected include events, tourism, manufacturing, logistics, retail and Food & Beverage.

Your business may be facing similarly difficult questions in terms of how to respond to the consequences of government restrictions and guidance. This includes preparing for and managing staffing issues, complying with contracts and managing business partners who are unable to deliver.

## AREAS WHERE YOU MAY NEED BDO

There are a number of areas of a business that may be impacted by the COVID-19 outbreak. For each area, you will find guidance on appropriate actions to mitigate the impact and manage associated risks.

1. IMPACT ON VIABILITY
2. IMPACT ON CONTRACT COMPLIANCE
3. IMPACT ON SUPPLY CHAIN
4. IMPACT ON HEALTH AND SAFETY
5. IMPACT ON TECHNOLOGY
6. IMPACT ON FINANCE & ACCOUNTING

## IMPACT ON VIABILITY

COVID-19 is already having a substantial impact on businesses. Some industries are seeing a sharp decline in the number of customers as people minimize their movement and avoid international travel. Other organizations are being forced to temporarily cease operations or operate below capacity due to the impact on their workforce and suppliers.

Factors such as falling revenue, reduced financial liquidity and the operations of key business partners will all affect the sustainability of a business. This is a good time for businesses to review the KPIs they use for sustainability and whether these are the right ones both today and in the long term.

## **IMPACT ON CONTRACT COMPLIANCE**

Companies may not be able to manage all coronavirus-related business interruptions. These may be internal issues or caused by third-party default such as supply chain interruptions. As a result, companies may be unable to meet their contractual obligations.

## **IMPACT ON SUPPLY CHAIN**

Governments around the world have implemented a range of measures to combat the pandemic including closure of borders, locking down the population and encouraging the workers to work from home where possible. This is disrupting supply chains and affecting the ability to move raw materials, components and finished goods to where they need to be.

It is worth noting that there is a constant tension between supply chain resilience and efficiency. Resilience has an upfront financial cost but offers longer term brand security. Efficiency reduces costs but, if it is at the expense of resilience, can represent a potential risk to brand and can lead to larger follow on costs in the event of major disruptions.

## **IMPACT ON HEALTH AND SAFETY**

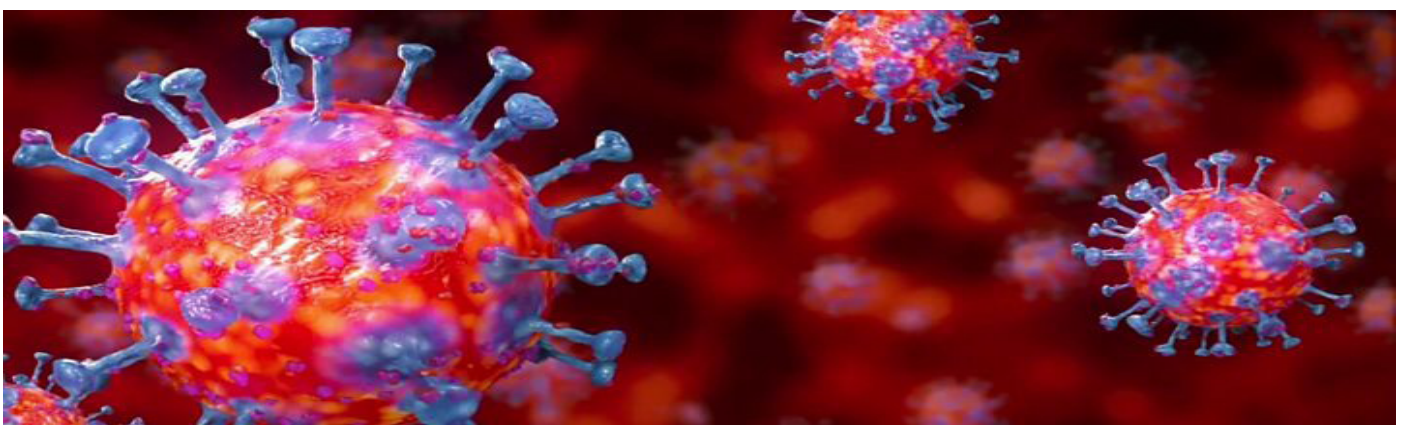
COVID-19 is an infectious disease. Bringing employees together in the workplace may put them at increased risk of exposure to the virus. As per SOPs set by the Pakistan Government, Companies must strike a balance between maintaining productivity and providing a safe working environment for their employees. The early adoption of adequate preventative measures and maintaining an effective communicable illness policy can help ensure a safe environment for employees, customers and suppliers.

## **IMPACT ON TECHNOLOGY**

Many companies have activated contingency and business continuity measures that encourage or force employees to work from home and connect to the company's networks remotely. At the same time, smartphones and instant messaging applications allow employees to communicate directly with colleagues, customers and vendors.

## **IMPACT ON FINANCE & ACCOUNTING**

If your finance function is reliant on a key individual or team to run your back office, then you should take care to scenario plan should this resource become unavailable through illness or quarantine. It is even more important than to have access to key management information in order to inform business critical decisions. There are a range of options available to businesses to mitigate against the risk of their finance function becoming non-operational including some form of outsourcing.



## REDUCE IMPACT OF PANDEMIC WITH BDO

Considering the above significant impact of risks on your business, we have some suggestion to look into to control these risks.

- Businesses should look to optimise the use of cloud-based technology – enabling teams to work seamlessly and if needed, remotely.
- Conduct a thorough risk assessment of business operations, taking a holistic approach across the globe, to assess the level of possible interruption and formulate measures to mitigate potential impacts.
- Review the pace of expenditure in relation to the company's expansion plans and existing development projects (if any) and slow down the cash burn rate.
- Re-prioritize the allocation of resources to unaffected business lines.
- Explore and identify business transformation opportunities and models to reduce over-reliance on existing business segments.
- Identify measures for controlling budgets and making cost savings such as outsourcing certain business processes in a cost-effective way.
- Revisit your contracts with Business Partners.
- Have detailed knowledge of your Tier 1 suppliers; know what they are contractually obliged to provide; the delivery channels to you; the risks they are exposed to; the geographic exposure of their own supply chains.
- Identify your reliance on single suppliers and any suppliers that are wholly reliant on your business; develop alternative suppliers and understand how quickly they could be activated.
- Estimate how long you could operate without key suppliers, key systems or key people.
- Review and update home office working policies and capabilities.
- Plan clear and timely communication to minimize fear and anxiety as well as rumors and misinformation.
- Identify who will oversee a crisis management plan and local employees at operational locations, both domestic and international.
- Adjust seating arrangements to maintain a safe distance between employees.
- Monitor the use of unauthorized computers and their access to the network especially for companies with a Bring Your Own Device policy.
- Minimize or prohibit the transfer of confidential and business-related files over social media applications.
- Ensure at least two relevant key employees are involved in over instant messaging communications at in order to avoid loss of correspondence for future reference.

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