

Responding to risks resulting from Coronavirus (COVID-19) outbreak

Whilst the escalating medical and macro-economic implications of the virus rise, there are also increasing concerns regarding the impact on global supply chains and an unprecedented business continuity risk for companies. The continued spread of the virus may lead to larger and prolonged quarantined zones coming into effect – both internationally and domestically.

Conversations with clients and leading global experts have highlighted five risks:

Inbound supply constraints

With factories across China and other affected regions operating at <100% capacity, forecast shortfalls in materials and parts (particularly packaging, textiles and electronic components) could extend into April and potentially beyond.

Skill and knowledge gaps

With the World Health Organisation declaring a pandemic, there is a very real risk of key personnel becoming subject to quarantine due to infection, carers leave or self-quarantine.

Operational constraints

Operational capacity could be limited as a result of mass absenteeism from unplanned leave due to localised quarantine activities.

Stock chaos and liquidity issues

The combination of 'panic buying' and 'rationed spending' could cause havoc across supply chain forecasts, leading to stock shortages and/or stockpiling. This could result in the need for higher production levels, overtime and margin impacts, or working capital constraints.

Customer and revenue risks

Inability to meet customers and key partners in person or attend events as travel is restricted and gatherings limited.

We are working with companies to develop a pragmatic, rapidly deployable and flexible response plan

COVID-19 response planning

1. Prioritising the safety of their people and their families

2. Rapidly assessing key risks

3. Planning for escalations

4. Taking action quickly

5. Delivering agreed actions

1. Prioritising the safety of their people and their families

First and foremost, placing importance on the safety and wellbeing of their people and their families. This means:

- Enacting clear policies and procedures to respond if someone is affected
- Educating the workforce on symptoms and self-quarantine steps
- Following the steps below to take opportunities to protect people

2. Rapidly assessing key risks

In a systematic but rapid manner, working through each element of their business value chain to understand where supply, people, process and system risks are likely to occur. Defining the likelihood and possible impact for each risk to prioritise planning to the most crucial areas. Examples of risk assessment activities include:

- Tracing key inputs to determine possible impact of COVID-19 on availability
- Engaging with customers to identify any changes to consumer purchase behaviour early
- Using HR teams to identify personnel who plan to travel to affected areas on annual leave
- Mapping and monitoring sales team travel

3. Planning for escalations

“What happens if...” is a key question that management teams must ask to identify escalating, but completely plausible scenarios. This will ensure that business continuity plans are not only prepared but communicated and embedded into the organisation. Scenarios we have seen include:

- Infected employees forcing quarantine for multiple people
- Local outbreak in communities resulting in school or aged care facility closures
- Teams travelling to higher risk areas

4. Taking action quickly

Minimise risk by undertaking appropriate actions quickly, such as:

- Commencing remote working for non-location critical roles
- Educating the workforce on symptoms and quarantine steps
- Cross-skilling where key person reliance exists
- Increasing safety stock for critical high-risk categories
- Altering work conditions to limit spread of the virus
- Arranging potential temporary day-carer facilities/suppliers
- Talking to customers – what compromises can be made? What is valuable to them right now?

5. Delivering agreed actions

The key to ensuring business continuity is effectively delivering agreed actions in a timely manner:

- Prioritise effectively to ensure your business is not swamped
- Stop some activities to create space for key employees to deliver on priority actions
- Have a robust governance system tied into the core business to plan and monitor delivery
- Escalate and resolve issues if they occur
- Measure the outcome and impact of actions
- Communicate across the business and supply chain to ensure people are informed and aligned

Reach out to our team to find out how we can help you de-risk

Contact us

