

## Kick-start Corona Economy

The end of the lockdown will not spell a return to the old “normal”, nor will it be universal. The opening will take different shapes, with different countries, different regions, and different business sectors opening up in different ways and at differing speeds. A second wave is expected bringing further uncertainty into the equation. 2020 will be a very bumpy road with recovery expected to show some signs of resilience in 2021 and a new normal by 2023 earliest.

The virus still lurks and the ability to contain its spread will dictate what happens next; any resurgence will likely bring about renewed restrictions. Large-scale testing and tracing, the broad availability of masks, and sufficient intensive-care capacity in hospitals will determine the pace of recovery. Business will be at the mercy of government restrictions and social issues will claim priority. One will have to take CSR and ESG together with climate change into any equation when designing the ‘next step’.

In the current relaunching of activity after the lockdown period the company will need to take a holistic approach to better understand where we come from, where we stand and where to go? This period will stretch from today till end 2023 as it anticipates that this year we’ll be confined to near-casting, 2021 to fore-casting, 2022 budgeting and 2023 operating in the new normal. The speed will depend on the discovery of a vaccine and a cure for the virus. The political and economic balance will remain fragile.

### 1. Designing a kick-start roadmap

The majority of the tools used prior to the crisis most likely are no longer applicable, let alone accurate. The environment has become quite volatile and require a total overhaul of the existing dashboard. Circumstances are such that it most likely requires to develop a detailed relaunch chart country by country, site by site, segment by segment, customer by customer, and product by product in order to prioritize recovery opportunities and roadmaps.

Adjusted maps will have to guide production, supply chain, and marketing & sales efforts and help determine a recovery timeline for each location. It will also enable management to get a head start on reassessing investments and prospects for changing the internal & external geography of their value chains, for example through relocation of assets. It will be appropriate to freeze some planned or ongoing projects until the company has the capacity to reassess them.

Critical at this stage is to design a parallel path; one being the baseline scenario as well as an alternative that takes into account the variables of renewed contagion. These schemes will need to be reflecting the options for a fluid reallocation of resources if required. One should cover the segmentation of customers and the territorial regulatory dimension as countries are lifting restrictions in very different ways.

As to the segmentation there is going to be a significant difference in impact on B2B or B2C. The latter will be largely affected by the household purchasing power and the confidence on local economic trend. Each customer individually should be carefully assessed and approached directly in order to understand any change in consumer habits and their consumer capacity as a consequence of the crisis. Health, sustainability and preference for local suppliers has a strong narrative.

For the B2B business a thorough understanding of the issues at stake for each account are to be addressed understanding their mode of recovery, impact of the crisis and their emergence of expectations for goods and services. Critical is to understand and be aware of the health and safety protocols. Hopefully one didn’t fail to interact with the key accounts during this period and thus get to understand their challenges, constraints, opportunities and aspirations. Partnerships will prevail and determine the commercial priority.

### 2. Restoring trust

If anything, health and safety has become the main concern for all involved and one will remain vigilant. An important factor will be to articulate the conditions for a safe experience for customers.

Hence, a proactive communication about measures implemented which are not always visible to customers need to be shared with them building trust and confidence. If anything, people are afraid of the virus and all references made to show that safety guarantees are in place will enhance to restore trust. This will enhance to partnership bond and secure the loyalty of the customer.

### 3. Safeguarding health

As most employees are eager and want to return to work the required safety measures must be taken care of showing commitment and dedication for protecting their health. This will help to restore motivation in this post-lockdown period. It will be crucial to strengthen the organization's ability to monitor well-being at work and detect signs of fragility. Restoring a sense of meaning and clear direction for all will be necessary. The sense for purpose must be acclaimed by the CEO.

The most evident concern will be to make sure employees feel safe in the workplace. In doing so one will take the national regulations into account showing responsibility and concern. On the other hand, to minimize travel remote work should remain encouraged. The redesigning of work processes during the lockdown period will have indicated where and how remote work can function. The required resources and trainings need to be put in place.

Complying with the safety and hygiene protocols adopted with the public authorities calls for management to fundamentally review the way of working and modifying processes where needed. It will be crucial to communicate actively about these measures. One could introduce some KPI's measuring the effectiveness of this compliance. The evidence for care taking must be experienced both at employees as at business processes level.

Besides the obvious adoptions on site the HR department will also take care to facilitate protecting measures for safe travel from and to work as well will encourage individual travel for commuting and provide employees with safety equipment (hydroalcoholic gel, masks, gloves) for personal use. Some kind of tracking technology could be considered for staff to prevent resurgences of the virus and be seen socially responsible to contain the spread.

In the current period of renewed start up absenteeism rates most likely will increase as some employees might have experienced confinement as an ordeal. This will generate concerns and there may even be family pressure to delay the physical return to their jobs. It will thus be necessary to restore a sense of meaning and clear direction for all. An essential basis is the "purpose" of the company and the way that this is enshrined in all activities and strategy.

### 4. Reviving demand

Getting to grips with this disrupted social environment has a critical impact on the customer base and traditional sales channels. The most import activity for the company now should be focused on the customer retention. At the same time this period is an ideal occasion to clean up the CRM and update customer data. Hopefully a retention mechanism is put in place contacting each account by phone and reassuring product and service availability as well as tendering to understand their prime concerns. In many cases the demand remained whilst the key barrier was the supply.

As the company's aim is to capture profitable growth, whilst working on the customer retention and development, quick relocation of expenses for exploration and marketing will need to be done. Every commercial investment or promotion must be weighed against the risk of triggering a price war that could aggravate a situation already marked by a slump in volume. In doing so it is recommended to keep a unilateral communication with all players in the sector and try to avoid value destruction in the process.

In the coming period it will be necessary to demonstrate high ethical standards, as customers, consumer associations, and public authorities will closely monitor pricing practices. Consequently, companies will have to finely measure the promotional or discount models they will use. There will most likely be pressure on prices from suppliers and customers putting companies in difficulty across the value chain.

To retain and secure sales, pragmatic assistance should be provided to customers and suppliers in financial difficulty by providing them with payment facilities or extensions of deadlines in a highly targeted way. Creative ways of securing payments can be done by designing a payment policy to the benefit of both seller and buyer (credit insurance). The choice between usual practices and exceptions must be made strategically so as not to upset the economic balance of the whole sector.

Marketing departments must ensure that the offering is in line with the crisis-related shift in demand. In the short term, this will mean actively encouraging customers to interact through digital channels. Winning the battle of the brand will also be essential as brand loyalty is likely going to be tested. In the medium term the company needs to understand the customer experience and strengthen their ability to detect all the signals sent along their entire omnichannel journey.

## 5. Rebooting operations and supply chain

The CEO will seek to consolidate the company's competitive position as quickly as possible. Hence, returning to the market in full force will desire alignment with the speed to serve the demand accumulated during the lockdown. Monitoring the pace of recovery will be critical as securing the supply chain on strategic procurement will need careful judgement.

Anticipating the demand will require good knowledge of the situation the customer base is in and who could become a new account as identified during the lockdown market screening. The establishment of a "control tower" with end-to-end visibility on different demand scenarios, inventory movements, production deployment, and associated logistics is a good way of working. This tower can be used to identify and track strategic indicators related to inventories (coverage rate, availability of raw materials).

Agile management will make operations more flexible. This approach will enable a company to test the robustness of its ecosystem, assessing the long-term strength of its main components (suppliers, partners, and distributors) and the need to act with them (using a risk heatmap, identifying alternatives, accelerated vendor qualification process, or targeted support in some cases). It should also provide an insight on the solidity of the subcontractors' finances and operations.

The planning process will move from the current near-casting, to be held as driver for 2020, to forecasting as aim for 2021 and back to a budgeting regime as from 2023. A promising solution in this area is to implement adaptable production programs, reviewed on a weekly basis with request planning. These programs need to be underpinned by a daily dialogue with tier-one suppliers, and a systematic review of production adjustment opportunities.

## 6. Digitalising and automatization

During the lockdown companies had to orchestrate the massive and sudden switch to remote work for employees, using new collaborative tools in a way that is both efficient and cybersecure. They ramped up digital channels to serve customers, even as they solidify their company's IT infrastructure at a time of very large load increases. For all these achievements, there's still an opportunity to do more. The importance of digital to customers, suppliers, and to the entire economy has rapidly accelerated requiring to need for executives to speed up their digitization plans.

Accelerating the digital transformation to serve new customer and employee needs is eminent. The company's IT infrastructure must be relevant, secure, and able to meet the emerging expectations of both customers and internally. Most likely the customer will remain open towards continuing an online relationship which will need to be checked on efficiency and effectiveness. This will be a challenge for distributors. Executives will need to draw up a business-led technology road map to accelerate their digital transformation with urgency and build new digital businesses.

The reconfiguration of the supply chain will require the calculation of a new optimum from commercial, logistics, and production data. The decision-making process will become more and more data-driven and hence require increased data availability. Marketing will need more granular

data to steer their digital marketing and media spend in order to stimulate demand with greater precision. The imperative is to be much more relevant in digital ecosystems.

## 7. Steering the kick-start

The lockdown might or will have caused some degree of slow down. Returning back to operational level in the newly crystallised eco-system will require addressing a large number of interdependent issues simultaneously. Many go beyond the usual corporate governance framework because of their scale, complexity, and the speed of response they require. Crisis-management hubs set up from the time of lockdown provide a solid foundation to navigate these issues. Their areas of specialization—protection of employees, stabilization of operations, customer engagement, and the conduct of financial stress tests—remain relevant even after business resumes at full speed.

An agile management structure will be important to maintain the flexibility, speed of execution, and simplified decision and reporting lines of these crisis management hubs. To initiate the subsequent phases of the actual recovery, a plan-ahead team is needed. This focuses on five goals to ensure the safest direction of the company for the coming months: regularly establishing situational assessments, developing potential scenarios, designing and adapting the strategic road map, determining the tactical actions and movements to be undertaken in each scenario, and identifying trigger thresholds allowing the organization to act systematically at the right time.

In order to embrace this activity, the company has to provide impetus through the optimal use of working capital. Management of working capital requires special attention to ensure that cash flows will be sufficient to cope with the shocks of the crisis and recovery, regardless of which scenario takes place. The financial data in each scenario must be modelled and systematically identify factors that could affect liquidity. Any form of scaling up operations will increase the liquidity pressure.

Both suppliers and customers, themselves looking for working capital, will lobby for advantageous payment terms. It should be answered in a targeted way. As much as possible the company should use their own capital to stabilise demand and supply. It will also be crucial to closely manage the balance sheet, on the one hand by reviewing existing credit or debt contracts (and possibly renegotiating them), and on the other hand by assessing the appropriateness of making greater use of long-term financing (in capital form) to compensate for the burden of short-term losses.

## 8. Aligning value creation and embedding innovation

Hopefully the company had the ability to continue at least partially during confinement periods to design and adopt a radically new “under strain” operating model within a few days. With no exceptions, all companies have been forced to eliminate travel, while preserving their capacity to operate by videoconference. This was a time and opportunity to resize the teams, make the business models more flexible, shorten decision chains, streamline the processes, and even convert the production lines.

The crisis should be a golden opportunity to strengthen relationships with large and key accounts and solidify the supplier ecosystem. Having navigated through this collective ordeal, the company can strengthen partnership relations with all the stakeholders in their environment. Revisiting and updating the CRM system should provide accurate data improving knowledge and information for better and targeted sales & marketing objectives. At the same time the direction and indication for innovation and R&D&I should allow the company to emerge stronger and focused.

For the CEO it is now important to determine which of the developments imposed by circumstance may have generated value, financially, operationally, and for their people. Some of these could then be incorporated into future thinking about the reorganization of work and reinventing the business model. Together with the innovation of both process and product the material and intangible assets will be enriched in the longer term. The new achievements could become the new post-crisis operating standards in a process of continuous improvement.