



COVID-19

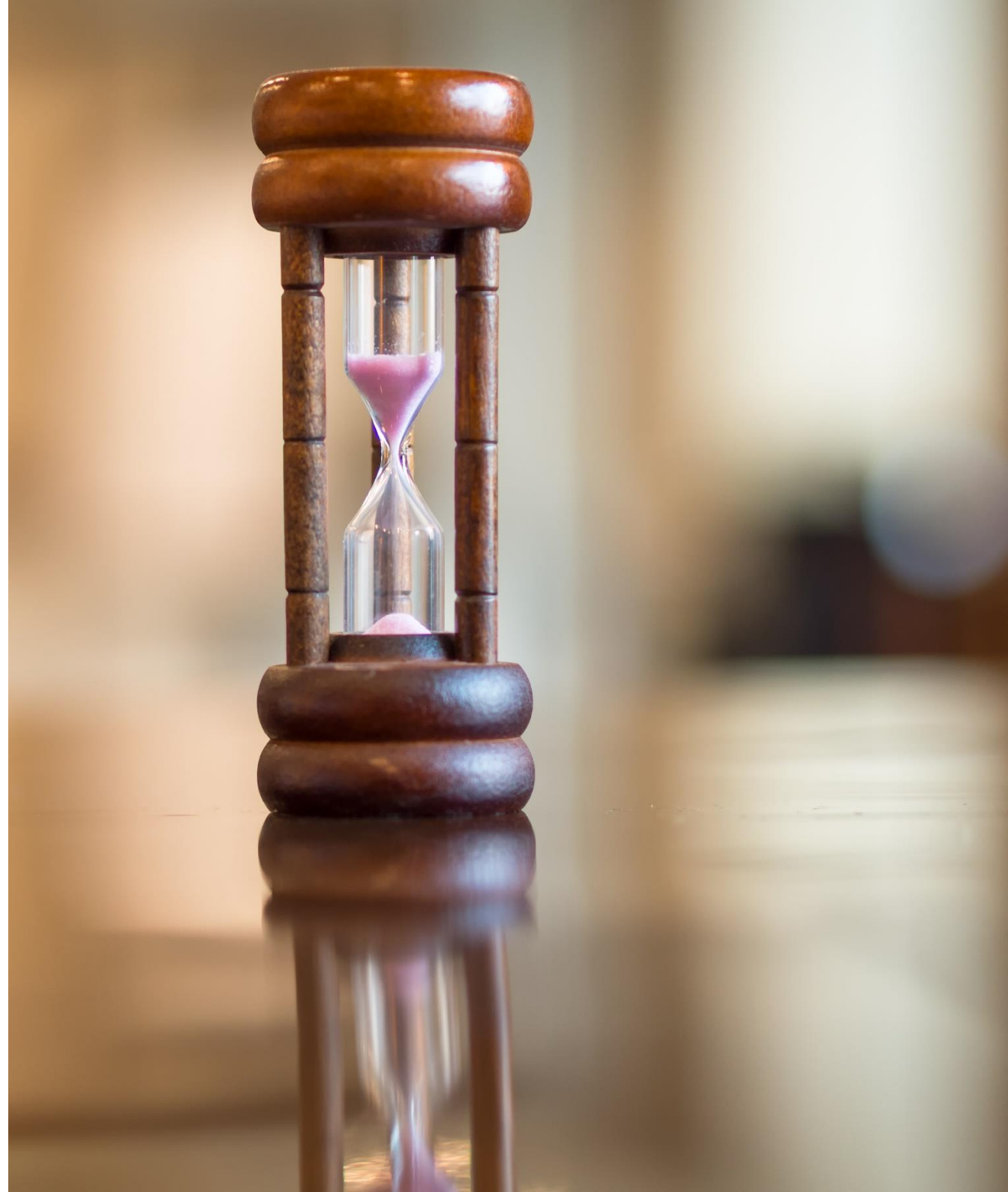
BUSINESS CONTINUITY & RISK MANAGEMENT

BDO in India

MAY 2020

CONTENTS

FOREWORD	01
BUSINESS IMPACT ANALYSIS	02
EFFECT ON BUSINESS CONTRACTS - REVISING SLAs, REVIEWING CONTRACTUAL OBLIGATIONS	05
RECOVERY PLANNING	09
ALTERNATIVE BUSINESS MODELS	12
RISK ASSESSMENT AND CONTROL TESTING	15
RISK MITIGATION STRATEGY	18
GOVERNANCE	20
EXTERNAL COMMUNICATIONS	23
BUSINESS CONTINGENCY PLANNING	26



FOREWORD

Already, the year 2020 is a contender for the title of the year in which the destiny of humanity will be re-written. All aspects of life as we know it are at a standstill; bearing mute testimony to the relentless unleashing of this colossal human tragedy. Not a single country, by any reckoning, has been spared and India is no exception. The impact on India is distinct, given its unique characteristics. India is the second largest populated country in the world, further handicapped by a weak health-care system and a limping economy. While medical crisis is the primary concern; it seems inevitable that it will come at a huge economic cost - one that may well match the stimulus amounts offered by all developed nations, combined. In numbers, it is likely to exceed USD 10 trillion at the last count.

Before the advent of the pandemic, Indian economy was already experiencing its worst performance in a decade, with the lowest GDP growth. That coupled with the lock down imposed to contain the spread of the virus and the subsequent economic shutdown has been a double whammy. It will be a long time before the economy shakes this off and returns to a new normal.

Even as India seeks to return to work, it will have to deal with several new challenges some of them being a broken supply chain, the plight and flight of migrant workers to their home states (that would impair recommencement of production), shortage of critical raw materials and a distribution system that is currently crippled on account of the nation-wide transport shutdown. Many parts of the economy will probably see more pronounced pain, such as airlines, hospitality, travel & tourism, shared economy and restaurants, to name a few.

On the financial plane, the feared liquidity and cash flow crisis is looming large. As operations resume, the top priority for most businesses will be to remain afloat amidst the dramatic deterioration of nearly all parameters that are the mainstay of a business.

The 'Work from home' policy (a new-found option and challenge), mandated by the pandemic, may need to be continued for longer (wherever possible) as social distancing requirements and other norms will require organisations to adopt a new work model that would suit these times. There will arise many other trials ranging from business continuity, managing response and readiness to deal with the short-to-medium term financial changes, overhauling of existing business strategy to build a more sturdy model and importantly, managing people. Exploring alternate approaches and embracing digital technology to the extent possible will be part of the toolkit for resuscitating business and building resilience.

With no insight as to the length of the disruption; businesses would do well to remain focused on the economic developments that can impact them. Overall implications of the stimulus extended by countries, globally, as much as by governments will also play a major role in determining the future of many businesses. Recent news of the Japanese government encouraging manufacturing units to relocate outside China could have a bearing on the fate of the manufacturing industry in countries such as India.

One of the biggest man-made ecological disasters in living memory is that of the 'Deepwater Horizon', an oil spill off Louisiana in the Gulf of Mexico. This incident taught the world the importance of a multi-dimensional

governance framework that is both inclusive and responsive. Applying this learning to the current crisis, a robust governance mechanism to manage this crisis would certainly go a long way in mitigating risks.

The trail of COVID-19 led consequences will most likely result in a stressed business environment for a prolonged period of time. Businesses, lenders and other stakeholders will need to adapt and extend themselves to deal effectively with burgeoning challenges.

For now, the order of the day is to survive and tide over difficult times. The pandemic is still raging and will possibly be tamed only with the discovery of a vaccine that can potentially arrest the virus in its track.

With a view to guiding businesses through these trying times; aided by our expertise in professional services, we are releasing a collection of our insights on topics we feel would be of utmost importance to business leaders today.

We endeavour to provide our readers with novel approaches and solutions to some of the challenging problems ensuing COVID-19.

We are in this together and pray that we all come out on the other side of the tunnel, stronger and brighter than ever before.



MILIND KOTHARI
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BUSINESS IMPACT ANALYSIS



BUSINESS IMPACT ANALYSIS

INTRODUCTION

The impact of COVID-19 is being felt around the world as the count of people afflicted rises each day. While the cost of containing the virus infliction itself is undetermined, the immediate fallout is the huge economic impact. In India, the seismic shock is being felt by most businesses, from very small to even the largest. Businesses are compelled to cope with a broad range of strategic and operational issues; with each issue demanding a high level of involvement and competency to deal with.

Businesses are yet to come to terms with the shakeout and its short-to-long term ramifications. The crisis team within an organisation is expected to deal with both external and internal issues simultaneously. The external challenges such as the non-availability of raw materials, supply chain interruptions, shift in customer preferences etc. are much harder to resolve. On the other hand, businesses would be expected to deal with several internal challenges such as drastic fall in demand, drop in production, work force absenteeism, delayed recoveries of customer dues, managing key vendor payables etc. that would need urgent and immediate attention. Businesses would have to be sensitive and brace to confront these challenges with equal vigour.

In these stressful times, businesses would look up to the government to provide guidance on how they would need to protect their employees from this growing health scare and more specifically, steps being taken towards lifting the lockdown, restoration of commercial activity, maintaining law & order, sustaining health care systems and monetary and fiscal concessions to resuscitate the economy.



BUSINESS IMPACT ANALYSIS

THE NEED FOR IMPACT ANALYSIS

The post COVID-19 economic scenario is aptly termed as the 'new normal' with the common perception that the overall economic activity would decline by nearly 20-25%, with some sections of the economy bearing a larger brunt. Therefore, the approach to doing business in this scenario has to be well thought out and thus likely to be markedly different. The conventional manner of revisiting operational and financial plans and seeking the best alternative solution would have worked well in an ideal economic world, but with the current level of disruption, the economy is being reset and the implications across all facets of business will be far-reaching and deep, and would possibly require businesses to look for external guidance.

Businesses must conceive bespoke solutions based on the initial assessments / impact analysis and should ideally be spread over three phases:

- The first phase, as the environment continues in the lockdown period
- The second phase, as the lockdown is lifted and economic activity would sputter to re-start
- The third phase, from the 'new normal' to where the economy would stabilise

The analysis would look at the same set of variables like demand forecasting, raw material availability, workforce engagement, bank funding etc., however, the solutions to implement these variables would be different at each of the three phases. Even as the solutions from the initial impact assessment would be implemented at each stage, a constant revalidation would be required to ensure relevance to the proposed solutions. Success at the first phase and second phase would build credibility for the business to adjust to the third phase. The key to achieving success at each of the stages would depend on the ability to address issues that may surface without notice and the solutions that are thought-through and ready to implement immediately to mitigate them.

Additionally, there are two specific areas that impact assessment and analysis should consider in these difficult times. One, businesses would be well advised to adopt and use technology as an enabling tool to influence decision making. Technology should be at the forefront in several ways:

- Assist in demand forecasting, coupling external data with internal metrics
- Digital and real time advertising and promotion of product and services
- Seamless and contactless delivery of products and services with real time update

Second, businesses should make best use of the initiatives of the government towards restoration of commercial activity and make optimal use of the financial concessions, schemes and deferrals provided by the government during this period.

CONCLUSION

It must be emphasised that the assessments and solutions would be unique to every business and they would do well if they constitute a crisis management task force to navigate through this period. The task force should be mandated to follow strict monitoring parameters and guide operations at every stage of implementation. Finally, it should have well defined alternative scenarios to help course-correct and take remedial measures to ensure businesses are able to move towards normalcy.

EFFECT ON BUSINESS CONTRACTS - REVISING SLAs, REVIEWING CONTRACTUAL OBLIGATIONS



EFFECT ON BUSINESS CONTRACTS - REVISING SLAs, REVIEWING CONTRACTUAL OBLIGATIONS

INTRODUCTION

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak a 'pandemic'. The world has become a mute witness to the widespread affliction and unravelling of an unparalleled worldwide social disruption, which has led to global economic activity getting paralysed.

An expected fallout of this disruption is on business contracts where two or more parties would have reached an agreement in pre-COVID times. The rapidly evolving nature of the pandemic and consequent restrictions, revisions in laws and varied circumstances have resulted in an altered landscape causing upheaval in the settled environment. The contracting parties that were carrying on their business pre-COVID-19, may now be under significant stress whether the contract would or should be honoured. Further, several contracts would be under stress in cases where contracting parties are unable to perform their obligations, leaving them with the limited options of renegotiation, revision and even early termination or cancellation of contracts.

In these times, businesses ought to make legally sound choices, to minimise the risks of contracts failing or those that cause significant financial damage.



THE CHALLENGES

The contractual challenges being faced can be broadly categorised into two i.e. issues being faced in performance of existing contracts and issues in execution of new contracts. Existing contracts are not insulated merely on account of being executed, as most of the commitments and obligations thereunder would be contingent on events and services that were executable in the pre-COVID-19 context and may be rendered impossible to perform in the present times. The generally overlooked force majeure clause in contracts is being seen with a fresh set of eyes as each party is assessing the implications of such a clause in the agreements. The business is exposed to a risk of losses if the counterparty does not adhere to the agreed terms. Alternatively, in cases where parties are forced to adhere to the terms agreed, performance thereof could bleed their businesses. At risk are rent agreements, long term supply agreements, employee agreements and many others.

On the other hand, finalisation and execution of fresh contracts will also be significantly more arduous given that contracting parties will be considerably more risk-averse, internal approvals will be difficult to procure and the absence of physical connect through in-person meetings and discussions owing to travel restrictions. All these roadblocks will impact decision making and closure of contractual obligations.

EFFECT ON BUSINESS CONTRACTS - REVISING SLAs, REVIEWING CONTRACTUAL OBLIGATIONS

OPTIONS AND SOLUTIONS

There are number of steps businesses can take to secure themselves from these new-found risks, created by COVID-19.

1. For prevailing contracts, it is recommended that businesses must first take stock of all open/existing contracts and examine whether it is possible to perform obligations as set out in the contracts.
2. Businesses would need to assess the legal and commercial cost of adherence or otherwise, for every commitment made through such agreements. Risk of counterparty not performing its share of commitment must also be examined.
3. Importantly, businesses must examine long-term implications on business, goodwill and relationships. It would be imperative to define steps that would be required to mitigate losses from contract failures or non-adherence.

Broadly, businesses would do well if they categorise and bifurcate contracts into -

1. Contracts where performance would benefit the business.
2. Contracts where risk of non-adherence by the counterparty can be foreseen.

On the other hand, contracts where performance is either not possible or would lead to losses would require re-negotiation or termination.

It is advisable that relationships be handled carefully and communication regarding obligations remain clear right from the start so neither party feels embittered toward the other. If both parties want the contract to proceed, it is important to explore options that are legally and commercially viable for both to arrive at a beneficial consensus.

Managing business contracts at such times must factor in several important aspects for the overall strategy. Some of which may be -

Analysis of aggressive, moderate and risk averse positions and their corresponding implications be based on a detailed cost-benefit working, clearly citing the affordable business exposures that can be absorbed, should such a situation arise.

Attention be paid to legal oversight and scrutiny of legal consequences.

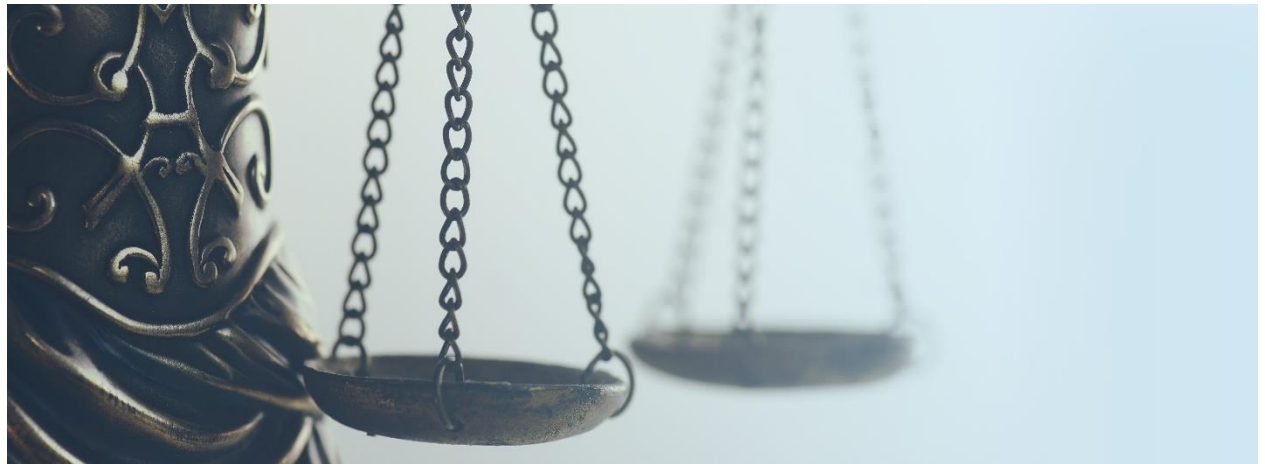
It is recommended to collect relevant evidence in the form of previous correspondence where intent of parties was evident either for re-negotiation or a legal remedy. Businesses that are likely to lose out on re-negotiations would do well in restricting the damage in the short term and build conditions and scenarios under which they would be able to recover lost ground.

Importantly, a negotiated outcome that does not end up in litigation with a minimal financial damage is the best outcome as it is likely to avoid a protracted legal battle that would only be an additional time and cost burden.

EFFECT ON BUSINESS CONTRACTS - REVISING SLAs, REVIEWING CONTRACTUAL OBLIGATIONS

CONCLUSION

COVID-19 has compelled even the most risk-averse businesses to look into the exposure of their business contracts and create a strategy around such exposures. While business contracts have defined terms, it is recommended that the parties engage in good faith discussions. They should consider the relevance of long term relationships and the reality of challenges being faced by businesses across the globe and then proceed accordingly with allowing concessions where viable and revision, where required. The road ahead appears grim and uncertain, but it is recommended that businesses take practical and non-confrontational approaches to resolve contractual defaults so that relationships and business continuity can be maintained.



RECOVERY PLANNING



RECOVERY PLANNING

INTRODUCTION

The global spread of COVID-19 and the lock-down that ensued are having a profound impact on most businesses, with some even coming to a complete standstill. With the resumption of economic activity, the revival is likely to be uneven and maximisation of cash would be a key driver for businesses.

For severely affected businesses, a new strategy would be required to recover from lost ground on all aspects; retrieving lost customers and markets, driving efficiency in production, ensuring that enough workforce is available for the desired level of activity, etc. Recovering financial health by itself will be a daunting task for businesses.

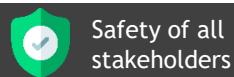
FOCUS MARKETS

- The COVID-19 crisis may eventually impact demand for goods and services either positively or negatively and therefore, forecasting demand will be fraught with uncertainty.
- Consumer behaviour and demand are likely to witness a sea-change in the near term before the new demand is set in the markets.

Businesses face the task of formulating recovery plans in the absence of market signals while also balancing precarious liquidity positions. The situation is further complicated by wide variations in when and how different markets would come back on track. At the same time, inaction or a 'wait and watch' approach may end up causing more damage.

Developing plausible recovery scenarios, including ones that may seem unthinkable may be the need of the hour.

Stress-testing business performance and evaluation of all options could help identify where a business is either most at risk or is resilient. While planning business recovery, three priority areas should be:



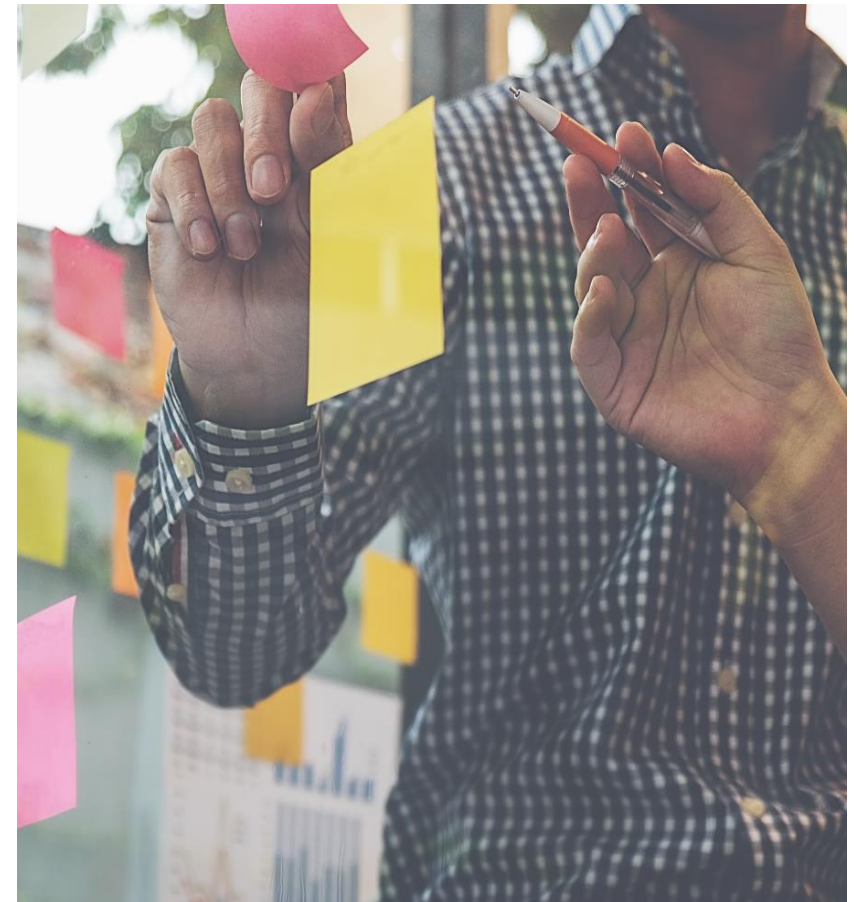
Safety of all stakeholders



Stabilising operations



Customer focus for cash generation



RECOVERY PLANNING

Businesses need to create a 'Recovery Plan' to adapt to the new normal, with adequate speed to cover lost ground. While the predictable fight for cash would be central to any strategy, increased volume of business in the short to medium term would set the pace for gaining normalcy in operations.

Further, recovery needs to be sustainable in the backdrop of uncertainty of the pandemic that has entered the world with an indefinite exit date. Businesses will gain when the focus is on achieving long-term goals that would deliver a strong recovery and would eventually improve the fundamentals at the core, with no bets on artificial props.

For a sustainable recovery plan, businesses need to consider all current challenges and go lengths to predict alternative scenarios, that could pan out. For instance, whether the suppliers can cope with increased demand? Will customers buy all that is produced? Would it be possible to manage the cash-flow, if the activity is increased? Would requisite workforce be available to meet the target production? Further, for any revival plan to be plausible, fixing what is not working would be the priority. For instance, a broken supply-chain, a crashed segment of customers, low demand for a product, drop in-efficiency etc. would warrant immediate attention of the leadership team. A multi-pronged approach to restore recovery could entail several strategies such as re-allocate cash flows towards immediate and urgent expenses, fast forward receivables recovery through a mix of cash discount etc.

Planning for a sustainable revenue with immediate cash conversion would become a top priority. Also, taking care of slow-moving inventory through promotion schemes and volume discount would bring relief from tight liquidity conditions.

Alongside a strong revival plan, businesses would do well by availing additional stimulus like re-negotiating with lenders on deferment or waiver of principal pay-outs and interest repayments. Also, businesses would be advised to consider all concessions like deferment of statutory dues that the government has provided to help them alleviate immediate liquidity challenges and conserve cash for immediate need.

It may be worthwhile to implement cost saving measures that bring long-term benefits, in the light of the fact that the prices of goods and services are bound to decline from the pre-COVID levels. Needless to add, one lens ought to focus on safeguards against operative and financial risks and steps to mitigate such risks, if they were to surface. A robust recovery assessment framework must have an in-built course-correction feature to ensure that the revival plan objective is achieved.

CONCLUSION

A heterogeneous business environment will pose challenges in rebuilding businesses. Cash flow and revenues may not balance out in the immediate or return to normal levels, leaving businesses on an uncertain footing in the early recovery. Navigating the dynamic situation will entail continuous tracking and recalibrating of responses, ideally to be delegated to a special task force located 'next door' to the office of the CEO.



ALTERNATIVE BUSINESS MODELS



ALTERNATIVE BUSINESS MODELS

COVID-19 has been a turning point for the world from a health and socio-economic perspective. There is an imaginary line separating our lives pre and post the onset of this pandemic. There is also a distinct shift in the way we are living our lives, in order to protect ourselves and adapt to the changing circumstances. This holds true for businesses around the globe, which would need to examine and re-define their business models to remain relevant in these extraordinary times and subsequently, in the post-COVID-19 environment.

In the last decade, the entry of new businesses with unconventional business models have challenged the established ones and disrupted entire industries and sectors. We have witnessed the rise and dominance of online aggregation and marketplace platform such as Uber, AirBnB, Amazon etc. This has fuelled what we call an 'on-demand' economy where most businesses have an online presence to provide their customers with immediate access to goods and services. Restaurants and cafes now offer delivery services through online platforms such as Swiggy, Zomato etc. Shared workspaces and co-living spaces have emerged and are thriving.

In India however, embracing technology as a core business driver has been relatively slower, especially in promoter led businesses. Such businesses have depended on traditional models and haven't yet adapted to the changing times. With the outbreak of the pandemic, these businesses are facing breakdowns in their existing business models. Given the circumstances, it is a struggle to maintain operations for businesses that are highly dependent on raw material, labour availability and physical infrastructure. Such businesses are experiencing significant disruption in their daily operations. Transport logistics, especially last mile delivery, considering the restrictions placed on movement, is likely to be severely impaired. All of the above, would result in an increase in operating costs thereby eating into margins.



ALTERNATIVE BUSINESS MODELS

The need of the hour, is to find ways to replace such dependencies and shift toward agile and technology enabled business models. A deep dive into the following aspects of a business model, will help a business identify where to make the necessary changes to ensure sustainability during these challenging times and thereafter:

<p>Demand generation strategies</p>	<p>Business models which are based on face to face interaction for demand generation, such as retail outlets, food and beverage establishments etc., will have to explore how to take demand generation digital. A few options which can be delved into are:</p> <ul style="list-style-type: none"> ▪ Shifting to online platforms - Due to requirement of maintaining social distancing, customers are likely to be apprehensive of physically visiting stores. Business operations, reliant solely on the re-opening of brick and mortar stores may not be sustainable and would need to shift to an online platform to provide customers, digital access to their offerings. ▪ Identifying alternative streams of revenue - There is likely to be a shift in consumer behaviour driven by a change in purchasing power and priorities. A business would need to re-examine their customer value proposition in light of the circumstances. The fast food giant Domino's, that prepared and delivered pizzas, has now tied up with ITC foods, to deliver essentials in India. The trick would be to create innovative products and solutions tailored to the market today, as alternatives and supplements to their current business offering.
<p>Redefining Key Processes</p>	<p>A business would need to identify its core processes and find ways to mitigate the roadblocks faced, on account of COVID-19. It would be relevant to consider whether technology could be adopted to facilitate key processes and ensure continuity in operations, on account of disruptions. Where businesses are unable to start operations due to the location of their offices/ manufacturing units, they could consider outsourcing part of the production/ provision of services. Another consideration to evaluate would be outsourcing of non-core processes and functions. This would reduce the load on the business trying to resume operations and ensure that the operative model remains flexible. However, before implementing any changes to operations, any associated risks arising out of such changes need to be evaluated with a back-up plan and a risk-mitigation framework.</p>
<p>Managing Resources</p>	<p>It would be imperative to think through how resources could be procured and better utilised. Some of the factors to be considered are:</p> <ul style="list-style-type: none"> ▪ Procurement of raw materials - In order to move to a more flexible business model, the dependency risk on a sole supplier, would need to be alleviated. A business would need to evaluate how raw materials can be procured from alternative sources, ensuring that time and cost efficiency is not compromised. ▪ People optimisation - In business models with high dependency on employment of skilled or unskilled labour, optimising such resources is critical. A business would need to evaluate whether its workforce can adapt to an online business model, whilst ensuring productivity and efficiency in operations. ▪ Re-visiting overheads - Businesses would need to adapt their cost structure to the changes. It would need to be evaluated whether any overheads can be reduced, or fixed overheads could be shifted to a variable expense model based on consumption/usage. ▪ Shared resources - Businesses could explore the option of entering into arrangements for sharing resources, such as machines, office spaces, manpower, etc. This again, would reduce a fixed cost base and could result in cost savings, at the same time providing flexibility of scaling up or down.

All in all, a business can only sustain the probable impacts of an uncertain future by building a resilient and agile business model. Top management would need to constantly keep an eye on the changes to internal and external situations and tailor new innovative solutions or tweak existing ones intelligently, to respond to these challenges.

RISK ASSESSMENT AND CONTROL TESTING



RISK ASSESSMENT AND CONTROL TESTING

INTRODUCTION

COVID-19 has disrupted the very construct of our lives; it has impacted social welfare, financial well-being and most importantly the health and safety of people. It has made us pause and reflect, re-enforcing a sometimes-forgotten truth; 'The first wealth is health' (Ralph Waldo Emerson). Following closely on its heels, are the financial and economic implications; both for individuals and businesses alike.

The world has witnessed its share of health pandemics before, with the last being the 2009 outbreak of H1N1. However, what makes COVID-19 unique is the scale and velocity at which it has spread to a whopping 210 countries in the past few months, since it was first detected. The most grappling challenge lies in the sheer degree of uncertainty attached to it. Changes to mortality rates and numbers, increases in the spread of the contagion and the timeline and methods to cure and stop this catastrophe, are largely uncontrolled. The world is struggling to comprehend the short and long-term financial repercussions emerging out of this calamity.

THE NEED FOR EVALUATING RISKS

Risk by its very nature is born out of uncertainty, thus making the response and management of it, one of the most pivotal activities now.

Businesses need to develop a dynamic risk management framework tailored to its size, scale and industry. Currently they are struggling to identify the multitude and severity of potential risks they are facing, as they look into an uncertain future. Risks would be of various types and complexities, with diverse facets to each risk. This in turn, brings with it the challenge in identifying adequate and effective mitigating strategies and controls to reduce and wherever possible eliminate the impact of such risks. These strategies and controls need to be tested to the extent possible, to identify any intrinsic failures in their design or implementation.

India, being an emerging economy has experienced faster economic growth in recent years when compared to other developed countries. However, with higher growth the commensurate risk and volatility is more pronounced than that of their mature counterparts.



RISK ASSESSMENT AND CONTROL TESTING

ALTERNATIVES & SOLUTIONS

In order to develop a risk management framework which can respond quickly and pro-actively to changing circumstances, it is critical to begin from the top. A business would first need to identify its key strategic, operational and financial objectives which may have been re-aligned based on the business impact analysis conducted.

These objectives would then need to be put under the lens to examine risks that would be encountered in achieving them. At the core, for any business would be to maintain its business continuity. Some of the most pertinent business continuity risks that have emerged as a result of COVID-19 are revenue shortfall, crashing supply chain, stressed cashflow, depleted liquidity and severely challenged infrastructure and flight of manpower.

These identified risks are to be given an inherent risk rating (high, medium or low), basis a combination of likeliness and resulting impact of their occurrence. This would enable a business to identify high risk areas which would require focus and prioritisation. Risks can also be bifurcated based on whether the factors driving them are external or internal.

Businesses would have various options to address the inherent risks through the implementation of well thought out risk mitigation strategies. In many cases, a business would look to reduce its internal risk with the implementation of robust internal controls.

External risk factors, on the other hand, are largely beyond the control or influence. While these cannot be prevented, businesses would need to focus on developing alternate strategies and mechanisms to detect, anticipate and neutralise the emerging external risks. Using appropriate assumptions and variables, a business can engage in tail-risk stress testing, scenario planning or war-gaming to combat such risks.

A business would need to test the effectiveness of the controls that can prevent or otherwise mitigate the inherent risks. Testing will help identify deficiencies and recognise whether the root cause for these lie in the design or implementation of controls.

KEY CONSIDERATIONS IN DETERMINING CONTROL EFFECTIVENESS

Whether the control or strategy is adequate regarding inherent risk, whereby risk is reduced to an acceptable level?

Are new measures being proposed or are they already in place? Are these measures well established or recently implemented?

What is the extent of the proposed change to people, processes and technology?

CONCLUSION

Response to risk has to be practical, agile and dynamic and at times experts are required to help with risk assessment and mitigation strategies. While most risks are to be reduced or otherwise mitigated, each business would also voluntarily accept certain risks in order to efficiently navigate out of the crisis.

By being completely risk averse, a business would also limit its chances of survival and success. Effective balancing of risk and opportunity would fundamentally charter the pathway to success in the COVID-19 era.

RISK MITIGATION STRATEGY



RISK MITIGATION STRATEGY

INTRODUCTION

COVID-19, has blurred the vision for businesses across the globe. The future is dotted with uncertainty in a shrinking economic environment that is challenging core business structures and their stability. Business risks have increased exponentially and are largely externally driven, hence very difficult to control. Despite the magnitude of the risk and the fact that it is largely uncontrollable, businesses would still need to build resilience against the impact by mitigating risks, as far as possible.

Pre-COVID-19, businesses were increasingly becoming more risk conscious, deploying more mature risk management frameworks. However, no business leader would have an experience of this size and complexity that could be relied upon. One of the most daunting tasks for a business leader today, would be to ensure that the business can identify and adequately respond to emerging risks as they arise.

KEY CONSIDERATIONS FOR RISK MITIGATION

Businesses would need to employ a novel approach to enhance responsiveness and agility of risk management. While the new risks are in the face and would require urgent attention, traditional risks would also need to be managed, re-visited and re-defined to align to new goals. By creating and embedding a risk management pyramid within various levels of management, a business can ensure the requisite involvement of its internal stakeholders.

Each level of management has a key role to play in agile risk management. The tone for risk management stems from the top, who form the overarching oversight mechanism. Key decision-making responsibility also lies with the top management. However, risk ownership lies with lower and middle management, largely led by business unit heads. They would need to identify and create infrastructures and processes to mitigate risk. Top management would need to select appropriate risk mitigation strategies and monitor their progress, through reporting frameworks. The risk reporting framework is crucial in itself, as it defines the what, how, when and whom, of the flow of risk information through an organisation. Developing a technology enabled reporting framework would allow for real-time information.

There are four fundamental strategies to mitigate risk; **ACCEPT, REDUCE, TRANSFER AND ELIMINATE**. A business may choose to accept certain risks, based on their risk appetite, because the cost or level of attention necessary to manage the risk may outweigh the expected consequence of the risk occurring. Risks can be reduced to an acceptable level by introducing internal controls or by employing inventive management strategies. For instance, a business can reduce its cashflow risk by optimising its costs and re-aligning cash outflow obligations. Businesses can shift a portion of the risk to another party; this can be done through insurance policies or contract clauses with customers, vendors and business partners. The management may cease or avoid certain business activities that expose the organisation to risks beyond the acceptable level. They may withdraw a product from the market or avoid doing business in certain geographies to eliminate such risks.

CONCLUSION

The high-risk environment crafted by COVID-19, mandates a business to develop a pro-active and flexible model to manage these risks. Adoption of appropriate risk mitigation strategies and effective implementation of these strategies will bring in the stability required to weather the storm ahead of us today.

GOVERNANCE



GOVERNANCE

INTRODUCTION

The world is facing an unprecedented set of challenges since the onset of the COVID-19 pandemic. Traditionally, identifying future opportunities, streamlining business models, operations, processes and teams were considered key, to planning and strategy. Given all the contingent planning and strategy, no organisation was prepared for the magnitude of the impact of COVID-19 on business; and it is still unravelling.

With traditional business metrics and assumptions unable to deliver in the current environment, there would be a seismic shift in the way organisations develop their business strategies going forward. Organisations would need to undertake a scenario analysis, assessing the numerous variables causing an impact and come up with an action plan to effectively manage the crisis, with primary importance on survival in the short-term and sustainability in the long-term.

THE NEED

The impact of COVID-19 on businesses is overwhelming in a sense that all business parameters are affected at the same time; operational, financial, workforce related etc. Facing these myriads of challenges can become overwhelming for most leadership teams and it is important to note that the existing functional teams may not be able to address all issues. Therefore, to ensure that the organisation can fairly assess and act on addressing the challenges, it is important to create a new governance structure with a central cross-functional team that may also include experts across all functions.

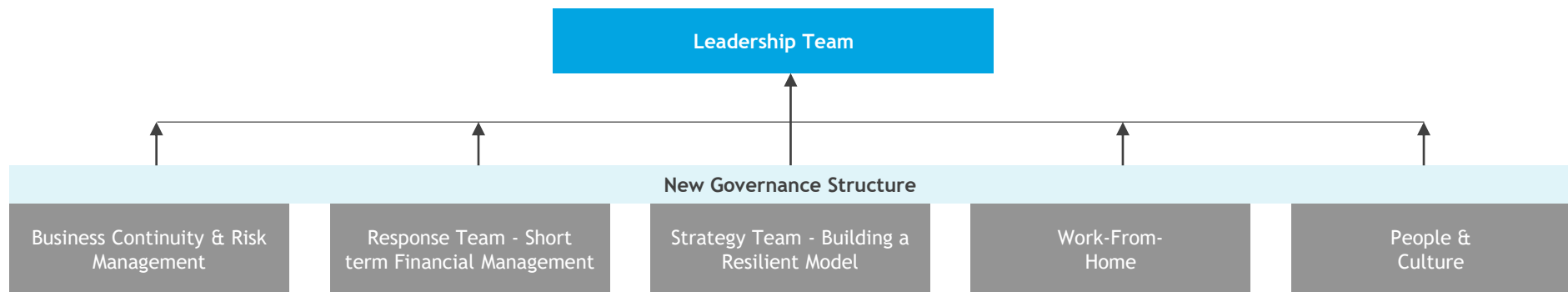
This team, should report to the leadership team and must have clear understanding of the objectives of business in the short, medium and long term. The team needs to plan for various scenarios, including a worst-case scenario by identifying numerous challenges that may emerge during the course and draw up an action plan to tackle these challenges, typically also referred to as 'Plan Ahead', in military parlance.

The primary objective of a central cross-functional team is to ensure that the organisation is able to simultaneously tackle multiple challenges that the business would face across functions in the short term, whilst ensuring that the decisions taken do not have an adverse impact on the business in the medium to long-term. Ideally, in each instance, the execution team should be distinct from the planning team. The mandate to all teams should be clear and unambiguous, with each team aware of its role and reporting all developments directly to the central team.



GOVERNANCE

A central action plan is required to cover all contingencies and scenarios and address the challenges across the following:



CONSIDERATIONS

- It is important that the action plan is in line with the objectives of the business and structured to ensure that any action in one domain does not contradict an action contemplated in another domain.
- The action plan should be flexible, to adjust to the changes in the external business environment.
- It should be reviewed on a periodic basis since no standard timeline can be applied to the actions, as some may require monitoring on a daily basis (e.g. cash-flow monitoring), while others may be once (exiting a loss making business or raising long term funds) and the rest may need monitoring periodically (production, sales pattern in a segment of customers).
- An important aspect of a governance structure is to ensure that any points arising from these reviews must be incorporated in the action plan on an ongoing basis.
- It is of utmost importance that the action plan be developed in a way that it adheres to existing internal and statutory compliances.

CONCLUSION

The economic impact of COVID-19 presents a daunting challenge that requires the leadership team to take actions across multiple fronts: ensuring financial stability of the business, assessing the constantly changing business and societal landscape, ensuring employee well-being and positioning the organisation to thrive in the post COVID-19 era.

Navigating the challenges would require an exceptional amount of co-ordinated effort across the organisation, to ensure revival of the business.

A robust governance mechanism would ensure that the objectives are achieved with least disruption and risks. Further, once the objective is achieved, the central cross-functional team ought to be dissolved, handing over control to the existing operations team which should then be prepared to steer the organisation to stability and take advantage of opportunities arising from the new normal.

EXTERNAL COMMUNICATIONS



EXTERNAL COMMUNICATIONS

INTRODUCTION

The outbreak of the COVID-19 pandemic is certainly changing our behaviours and social interactions. Apart from tangible differences, the new-normal is impacting how we interpret non-verbal communication, perceive virtual behaviours, conversations over social media and react to decisions that we may not be able to be a part of etc. In brief, it is changing 'how' we communicate.

In rapidly changing and uncertain situations like the one we are currently facing, it is important to communicate early and often. While, both nodes of communicating i.e. internal & external are significant, managing communications with external stakeholders during a time of crisis needs to be strategic, while retaining honesty and transparency. The communications need to endorse the positioning of a business, closely reflecting its intent & values to a diverse set of stakeholders, yet being specifically relevant to each.



CHALLENGES

The change in lifestyle with people having plenty of time to consume and access information throughout the day (some that could be misleading) will compel their actions on the availability of such information.

How your stakeholders consume and learn, what they are exposed to, can be challenging given that:

- There is too much information available, some of which may not even be factually correct.
- The timeliness of information that your communications plan is delivering may not be ideal for the purpose they are seeking information i.e. staying informed and connected, need for reassurance or searching for inspiration.
- There is a possibility that your business may be stuck in a generalist view and the information disseminated could be biased to the industry or sector that you belong to (which may not apply in case of your business).

Most communication plans and strategies are designed for operations in a normal world and tend to become a practice that stakeholders would have identified with, like a monthly newsletter, a bi-annual magazine etc. However, these exceptional times challenge the agility in the communications strategy to moderate the pace of how often your stakeholders hear from you and apply it to align with expectations.

EXTERNAL COMMUNICATIONS

SOLUTIONS & STRATEGIES

Simply put, you need a revised strategy to deal with the following:

- How often to communicate?
- How to deliver complex messages simply?
- Communicating your business's measures to handle crisis, in order to stay connected with your stakeholders and diffuse speculation regarding business continuity and delivery during these times.

Silence is not always golden, especially when the situation is gloomy.

Your communications need to be able to leave your stakeholders with a feeling of hope and positivity, whilst disclosing situational realities. Configuring a balance in words and tone becomes important in going a long way towards building relationships and encouraging trust with your stakeholders.

HERE ARE SOME SPECIFIC ACTIONS THAT YOU COULD CONSIDER UNDERTAKING, TO HELP DEVELOP A RESPONSE PLAN THAT ENSURES TIMELY AND EFFECTIVE COMMUNICATION WITH ALL KEY STAKEHOLDERS

- Develop a strategy (short/ medium/ long-term) for addressing all or most of the stated and foreseeable challenges, given the situation.
- Identify spokespeople and influencers to form a Task-force or Response-team (equipped to handle this situation). Members of these teams should be tasked with the duty of continually monitoring the evolving situation, come up with solutions to adapt to rapidly changing scenarios and find means to communicate adequately and appropriately with both internal and external stakeholders.
- Identify and segment your audience to determine the right vehicle of communication:
 - One on one meetings
 - Written communications
 - Voice/ Audio calls
 - Virtual conferences, webinars, e-meetings
 - Press-conferences
 - Social Media
 - Publications
- Formulate an Integrated Communications Plan and deploy a team to implement it in a defined frame of time.
- Define measurable metrics to monitor the success of the Communication Strategy and Plan, by:
 - Undertaking campaigns around 'Listening'
 - Conducting surveys to capture Voice of Audience
 - Developing informal feedback mechanisms

SUMMARY

For businesses, communicating has become the rudder for navigating through this crisis. The need for having a robust external communications strategy is a necessity. Managing stakeholder engagement, client retention, nurturing other relationships are key to business and given the extraordinary circumstances will need to be managed with a special focus.

Communicating information to empower stakeholders for taking informed decisions and demonstrating favourable behaviours is going to be a critical success factor for any business. It is hence prudent, to ensure that while communications are timely, transparent and frequent, they are also informative and resourceful for your stakeholders as well as adaptive to the evolving situation.

BUSINESS CONTINGENCY PLANNING



BUSINESS CONTINGENCY PLANNING

INTRODUCTION

In a move to contain the impact of the COVID-19 pandemic, governments across nations have mandated lockdowns and social distancing.

The implementation of these emergency protocols, are however having an acute impact on routine business operations. Business disturbances such as work force absenteeism, supply chain disruptions and capital market implications, amongst others, have caused massive impact on businesses, re-instating the need today for business contingency planning.

THE NEED

Some businesses in pandemic prone areas had contingency plans in place to insulate themselves, from the spread of pandemics like the COVID-19. These businesses today, are insured and safe from disruption risks. As the situation continues to evolve, businesses can still develop agile yet water-tight contingency plans.

Having a contingency plan in place, combined with responsive risk management can help businesses combat the turbulent times ahead. A major Indian airline, is already working towards creating an extensive blueprint and testing new protocols to be put in place once operations commence. This includes making operational changes to passenger servicing considering social distancing norms.

Businesses would find it difficult to navigate through uncertain waters and debilitating instability as they continue to stay afloat. The lack of information and coordination with external agencies along with an inability to forecast the extent of the lockdown or uncertainty around revival of markets, would leave business leaders largely on an edge.

Businesses would need to be mindful to refrain from knee jerk reactions, which may end up impairing its future viability. However, some businesses may be forced to take radical and controversial decisions today, such as laying off employees, shutting down units, etc. to ensure a stable tomorrow.

KEY CONSIDERATIONS

Depending on the size of the organisation, a dedicated team may be required to prepare the contingency plan.

This team should be diverse, with members from various departments, who can conduct a thorough, realistic risk assessment and business impact analysis for their respective departments.

Based on the findings, an integrated contingency plan should be formulated that considers all business aspects in various scenarios along with suggested mitigating actions. The plan would also need to map out the responsibilities of employees at every level, in order to implement and drive the process.



BUSINESS CONTINGENCY PLANNING

While formulating the contingency plan, the teams can consider the following:

Workforce: Due to the pandemic panic, migrant workers have left their places of work and have returned/ are returning to their homes. This has resulted in a massive manpower crunch for businesses, mainly in manufacturing, logistics and real estate sectors. Such businesses would need to find a way to substitute or replace critical work force to ensure business continuity. Service sectors including retail, airlines, hospitality, are anticipating a sharp decline in demand and may need to cutdown their workforce to stay afloat. However, with the government issuing advisory and directions, including requesting employers to abstain from laying off employees, these businesses would need to assess the impact on their cash flows.

Supply chains: Recovery of business operations may be dependent on a vast network of suppliers and vendors. There is a possibility that these vendors may be facing financial challenges of their own and may not be able to continue operations. Further, where suppliers are located across the country, such procurement may be challenging. In such situations, businesses need to find ways to mend the broken links in their supply chains.

Renegotiation of business contracts: Businesses may find it impossible to perform their contractual obligations. In such cases, businesses should consider implementing the Force Majeure clause in their contracts, to de-risk their business operations and protect themselves against any legal damages that may be lodged due to failure in complying with contractual obligations.

Government relief: While analysing the process changes that can be made to ensure business continuity, businesses should identify areas that would require regulatory clearances/approvals and reach out to the government authorities to seek relief, wherever possible. Businesses could also consider submitting representations to the government seeking additional subsidies, deferral schemes, export incentives and concessions for sale in specific geographies.

Insurance coverage: Many businesses in the manufacturing and process industries, may suffer equipment damages due to non-usage for extensive periods, which would result in a further loss of business. There may also be businesses that will face damages, due to the inability to use raw materials or sell finished products, that have a short shelf life. In these situations, businesses should review insurance policies for business disruptions and stock loss coverage.

IT recovery: With the adoption of work from home policies, cybersecurity is a growing issue. In such situations, businesses should identify likely attacks as a result of more employees working from home and prioritise the protection of their sensitive information and critical applications.

Fund raising strategies: Businesses would need to evaluate their funding strategies and needs, keeping in mind the changes to their long-term growth plans. Re-negotiating debt repayment obligations would be advisable and would provide immediate financial relief to the business.

CONCLUSION

The contingency plan prepared should be periodically tested and tweaked, to ensure that the solutions for various scenarios are workable. The planning strategy should be responsive and malleable to accommodate any ensuing situational changes and varying government policies and protocols.

“ By failing to prepare, you are preparing to fail ”

Benjamin Franklin



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