

# RiskTopics

## Business recovery measures following COVID-19 outbreak closures

As idle businesses begin to reopen or increase operations after government shutdown restrictions have been lifted, new challenges may arise. Recovering business in a structured approach can help prevent further downtime or loss of business for a company, often helping regain or even improve market position.

### Introduction

No matter the severity, most supply chains have been impacted by the COVID-19 outbreak and may continue to be affected as countries, provinces and states begin to reopen. Businesses that expect to continue work as normal may face emerging issues such as the inability to meet new or sudden increases in business operations.

Whether the business is closed or operating at a limited capacity today, consider taking proactive measures offered in this document for ramping up operations.

Assessing and managing the fluctuations along the supply chain as a result of the outbreak may help provide businesses with an advantage over competitors. Preparations now will influence how a business emerges from the crisis.

This guide aims to provide a framework of measures to recover business operations for business resiliency purposes. Measures beyond business resilience are outside the scope of this document.

#### **Important note**

With the recommendations provided in this document, it is understood that customers will determine which measures to take while abiding by regional government restrictions. We understand and support a customer's responsibility to obey laws. Applicable laws and regulations do supersede the recommendations outlined in this document, which purely serve as mere guidance, which needs to be adapted to local legal as well as factual circumstances at the customer site and in general.

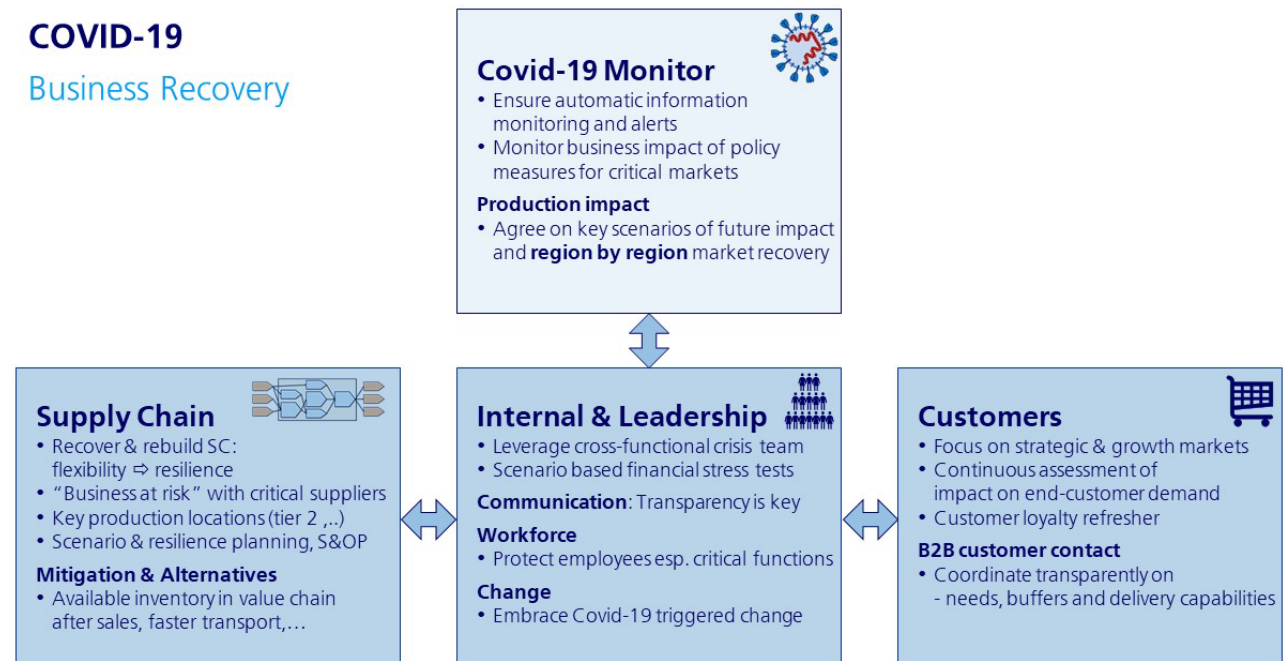
## How to get back to business again – getting started

As businesses begin to reopen, there will be unexpected challenges as more economic activity follows and regional lockdown restrictions are lifted. A structured approach, despite the many unknowns and potential surprises, is critical for successful recovery. Some, but not all, aspects to consider include the following:

- Different government restrictions along supply chain caused by varying stages of recovery.
- Potential for strained supplier producing for multiple companies.
- Potential for a surge in demand after government restrictions are lifted.
- Shifting from temporary operations or facilities.
- Impact of government contracts on certain facilities' production.
- Required staffing levels to maintain business operations.
- Maintaining healthy precautions for staff and customers.
- Developing a strategy for a potential 2<sup>nd</sup> wave of the virus and government restrictions.

### Developing an organizational response

Consider developing an organizational response to evaluate the ongoing hazards derived from the outbreak and prepare for a potential sudden increase in operations.



(Image source: Zurich)

## Measures to recover business operations

Consider implementing the following measures to manage increased business operations.

### Internal organization

#### Crisis management team

- Develop a plan utilizing a disruption framework to assess exposures and identify all potential hazards across the supply chain to address changed demand and help recover business operations.
  - Generate and prioritize corrective actions.
  - Establish metrics to assist in maintaining control of operations after implementing corrective actions.

#### Communication

- Establish regular communication throughout the organization to promote transparency of ongoing changes and to ensure employees adhere to changes effectively

#### Workforce

- Gradually increase the number of employees returning to work and stagger employee work hours to reduce the opportunity for a large spread of the virus within the site and position the company to respond to increased operations.
  - Consider screening processes such as daily temperature checks of employees before entering the facility.
  - Monitor governmental health organizations for continued precautions and measures to help reduce potential contamination and aid in employee monitoring practices.
  - Alter areas and workstations in order to reduce employee proximity and maintain “social distancing.”
  - Increase cleaning of areas and workstations.
  - Increase ventilation within the facility.

#### Information technology

- Ensure continuous monitoring of information technology systems to verify systems are secure and working properly with contingency plans in place

### Cyber risk

For further information, see the Risk Insights [\*The cyber dimension of the coronavirus crisis\*](#).

### Production

Consider a phased approach to recovering production: short-term, mid-term and long-term.

#### Short term – until operations are back-up running:

- Optimize **operations** for current restraints by developing a strategy for increasing production or business operations to meet potential increased demand.
  - Possible strategies include switching to a more go-to market approach, increasing e-commerce functionality for a new business model or creating leasing/ rental options

- Assess how the company's **supply chain** may affect business operations and prioritize which facilities are deemed important.
  - Possible prioritization factors may include the largest revenue impact to the company, the duration of site downtime or limited production and the time needed to meet an increase in demand.
- Identify production facilities which rely on critical materials and equipment as well as the associated risks from constraints on these locations.
  - Where delivery and production **capacity** are limited from closed interdependent and contingent sites, increase local production or divide production among multiple sites that do not have the same regional restrictions.
  - Ensure equipment has the capacity for increased operations. Verify spare parts are available on site and contingency plans are in place.
- Confirm available working **staff** is adequate to meet increased production, sustain operations and maintain supporting equipment.
  - Identify critical employees and split employees with the same skills into multiple different groups, areas or sites to minimize and spread risk as well as contribute to efficiency in production.
  - Increase the number of shifts and working hours, if needed, and ensure employees are trained on changes.
  - Hire full-time or temporary employees, as necessary, and ensure proper training to prepare for volume increase is provided to all staff.
- Verify there is enough storage or production space on site for **increased operations** in the event other facilities within the group are consolidated.
  - Alter certain areas of occupancy or acquire additional (backup) buildings to add any additional equipment or space needed to address an increase in production and capacity.
  - Invest in additional technology to help meet increased demand and make up for the possible deficit in work staff.
- Reevaluate **fixed and variable costs**; ensure alternative costs do not position the business for risk of larger loss.

### Altered sites for outbreak production

For sites that have altered entire business operation to produce equipment for the outbreak, verify if there is a government contract in place before returning to original operations. Consider the duration of the government contract, the time required to revert to original operations and the capability to return to producing for the outbreak again, if needed, at a later time. For volunteered sites with no government contract in place, consider if it would be morally right to return to original operations as regions begin to open and the possible impact to the brand.

### Mid-term – up to one year following the resumption of business:

- Develop a plan for current and upcoming business operations.
  - Verify what is or is not working and if additional measures are needed to maintain business operations.
- Incorporate outbreak hazards in **scenario planning** and the measures to take in the event there is a resurgence of the virus towards the end of this year.
  - Prepare for future down time and implement continuous monitoring of the plan.

### Long term – more than one year after resumption of business:

- Strengthen readiness and increase planning agility by implementing an early warning system to detect the risks of the virus to manage overall supply chain footprint.
- Proactively identify and manage **change** that may lead to or is already a new normal on both the demand and supply side of the business.

## Supply chain risk management

For further information, see the brochure [Zurich Supply Chain Risk Management Services](#).

## Supply Chain

- Establish a **communication** system along the supply chain to help identify potential risks, inform of increased operation requirements, categorize the impact and develop a mitigation plan.
- Review the **suppliers**, prioritizing the critical and single source ones first, that may be affected by the outbreak and verify operational status.
  - Request suppliers provide information on how quickly production can begin, expected dates of when lockdown restrictions will cease, or if it will be limited, and if there are any constraints regarding estimated production amount or time to produce.
- **Classify** which **products** are at risk to fail due to possible unavailability of necessary raw materials or work-in-progress products.
- Evaluate contingencies of suppliers by the risk exposure of suppliers at each tier in the supply chain.
  - Identify critical components, availability in the market and develop critical reserves of inventory.
- Consider **alternative suppliers**, especially single-source, as the incremental costs of a redundant supplier may outweigh the hazard of losing key or sole suppliers.
  - Estimate the time and costs to utilize an alternative supplier as opposed to waiting for reinstatement of the original supplier.

## Strained suppliers

Suppliers may be strained by a sudden surge in demand from new and existing customers once markets begin to reopen. Consider measures to accommodate the potential constraint by gradually purchasing small increments of materials now to develop reserves on critical inventory.

## Demand

- Start **communication with customers** to convey increased production planning and expectations once restrictions are lifted; then develop a customer prioritization schedule.
  - Foster a sense of how products or business will be regained once production is restarted.
- Utilize **demand planners** to identify current inflation in demand by comparing past and present orders or capacity rate.
  - Adapt to changing forecast methods to better match supply and demand through better understanding of customer behavior.
- Develop **promotional plans** and budgets to help manage demand (e.g., spread demand over a longer period, reduce abnormal demand or create demand opportunities).
- Form a strategy for maintaining brand recognition through Enterprise Risk Management, which includes delegating responsibility for internal and external communication

## Conclusion

As idle business operations begin to increase, the opportunity for a successful recovery and overcoming obstacles increases by establishing adequate provisions as well as a strategy for confronting associated risks. Adopting a proactive approach, as outlined in this document, will help put businesses in a better position to manage changing operations and drive the overall success of business recovery.

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