

THE COVID – 19 IMPACT

The Defining Impact of COVID – 19 Pandemic

The COVID-19 pandemic is the defining global health crisis of our time and the greatest global humanitarian challenge the world has faced since World War II. Besides challenges of health it has brought huge economic crisis and has impacted across industries. (refer to the figure on the right.)

We are noticing people across globe working from home, disruption of supply chain except for essentials, labour disruption at factories, restriction on markets to sell products other than essentials through shops, closure of malls or market places other than online. Governments across Globe have taken certain decisions like lockdowns and financial survival incentives which have restricted spread of Virus to a certain extent and possibly could enable the economy to survive.

However, the adversity can be changed to opportunity only if Companies build resilience and adapt to change. They need to respond to it and turn adversity as new normal and to its advantage.

The COVID-19 Heat Map

COVID-19 induced economic disruption will disproportionately impact some industry sectors more than others



Source: Moody's, Covid-19 Impact Heatmap, Coronavirus hurts travel-driven sectors, disrupts supply chains

MOODY'S

What needs to be done to adapt to Risk management Approach to manage this and be resilient

They are various best practices framework which can be referred for guidance, however none will be sufficient in itself. Considering the unique and combined impact we have seen on Mankind and Economy. Framework like COSO ERM, ISO31000, ISO 22301 etc, can be referred but each industry and company will have to customize and create and work with unique approach fit to them considering risk and response will be unique to them. They need to recognize their unique culture and capabilities, apply their own practices, integrate response with strategy-setting and its execution and manage risk to strategy and business objectives. COSO approach of Objective Setting and Event Identification, Risk Assessment, Risk Response and accordingly defining Process Response and Control Activities. Information & Communication and monitoring needs to be addressed in unique way. Long term lessons drawing and adding to this a layer of adoption, innovation and change management will be much required. Complete rethinking and brainstorming to be more agile and responsive in entire process is the need of hour. Organizations need to link to creating, preserving, and realizing value in better and sustainable ways. Many a times, short term views need to be given to preserve long term suitability.

RISKS THAT NEED TO BE ADDRESSED AND TURNED FROM ADVERSITY TO OPPORTUNITY:

Human Resources

- ⑩ Employee health and safety
- ⑩ White collar unavailability in office
- ⑩ Blue collar in Factory

Demand

- ⑩ Market disrupted
- ⑩ Reduction in purchasing capacity
- ⑩ market sentiment and change in choice preference.
- ⑩ Online substitute

Supply

- ⑩ Raw material supply disrupted
- ⑩ Trading platform restriction
- ⑩ Restriction in Movement and supply chain impact.
- ⑩ Compliance to new norms in good movement
- ⑩ Impact on inventory in hand
- ⑩ Machinery maintenance and cost of restarting
- ⑩ Energy and fuel availability

Distribution Channel

- ⑩ Distributor contracting
- ⑩ Distribution and storage availability
- ⑩ Movement to and fro, from distribution channel.
- ⑩ Availability of Machinery for storage
- ⑩ Port restrictions

Fund and Liquidity

- ⑩ Investor sentiment and withdrawal from market
- ⑩ Challenge in servicing existing debt
- ⑩ Working capital liquidity
- ⑩ Fixed cost servicing
- ⑩ Impact on Investor and brand confidence
- ⑩ Regulatory compliance

Technology

- ⑩ Absence of connected technology
- ⑩ Dependence on Manual work and lack of automation and dashboard
- ⑩ Bandwidth issue
- ⑩ Risk of system, data and process confidentiality, availability, integrity and privacy.
- ⑩ Cyber breaches and fraud
- ⑩ Cyber and cloud security

WHAT NEEDS TO BE DONE TO ADAPT TO RISK MANAGEMENT APPROACH

FEW SHORT TERM AND LONG-TERM SUGGESTIONS:

Short term:

- Organization boards and key managerial professionals including head of department should get together to use collective intelligence and brainstorm and prepare short term plans with long term visions.
- Bottom-up channels should be opened, inclusive culture needs to be built, as humans have huge potential and no possible suggestions should be unheard considering together every one is fighting against the virus that is affecting wellbeing of health and wealth.
- Extended enterprise covering customers, suppliers, investors, and regulators, all need to be involved in redefining approach by survey, AS-IS analysis, contract discussion and collaboration approach and also ways of meeting and serving together as all are connected.
- Digital journey and automation should be adopted, the exercise should be led by key managerial professionals and business process owners and not only IT.
- Short term immediate solutions need to be brainstormed and implemented.
- Reviewing of existing government support and relaxation across globe.
- Contract and compliance management discussion and renegotiation if required should be actioned.
- ERM programs and IT, Cyber and BCP programs need to be revisited to update and respond quickly for quick corrective action.

In short, trust and belief should be enhanced and programs need to be dealt with emotional intelligence more than logical intelligence.

Long term:

- Long term strategy and plan should be devised to build resilience for sustainability.
- Preparing responses to emerging customer needs, exploring scope of new markets.
- Developing new products and services.
- Developing trust and relationship with investors, employees, vendors, customers and regulators.
- Identifying new source and changing source of supply chain.
- Contracting to enhance and manage distribution channels based on learning gained.
- Working on Research and development.
- Understanding and developing delivery skills and market to deliver product and services.
- Digitalization of business, developing monitoring mechanism and tools, some digital products like cloud, social media, mobile, analytic, internet, RPA, blockchain, cloud computing and AI/ML.
- Cyber control design
- Fund and resource management and building of capital by improved investment strategy.
- Building capacity and agile and inclusive infrastructure with lower fixed costs.
- Developing cost effective value chain and forward and backward integration.
- Focus on Building resilience by inclusiveness approach.



HOW WE CAN HELP:

- Doing brainstorming sessions, identifying risk and strategies to assist same. Board and KMP presentation for decision-making.
 - Performing AS-IS inclusive review and enabling strategy and planning for both short term and long term.
 - Preparing road maps for year-wise risk and plan with alternatives.
- Enabling project management of execution as part of their team in getting implementation of Industry 4.0 and Digitization.
 - Monitoring and going ahead.

