

COVID-19 RESPONSE

BIG DECISIONS FOR CEOs RIGHT NOW—AND URGENT QUESTIONS ABOUT THE TIME AFTER

By Mai-Britt Poulsen, Joe Davis, and Lars Fæste

EVERYONE IS SCRAMBLING TO come to terms with the outbreak of COVID-19. That includes business leaders, of course. In the past days, we've heard from CEOs about the questions they're asking and the steps they're taking. We recommend a set of immediate actions as well as a set of critical questions that CEOs should ask about something difficult but important to address right now: how to plan for what comes after.

The COVID-19 outbreak is an unprecedented situation for governments, companies, and societies. Business leaders should respond promptly and with urgency. This is a key moment for leaders to step up and do what's right to protect people, customers, and the company. CEOs should:

- **Establish a rapid response room and step up communications.** Every leader needs daily—in some cases hourly—updates about the state of the marketplace, the state of operations, and the key issues the organization is facing. The issues list changes constantly. It's

important to have a virtual response room, an all-in-one, decision-capable “place” (which will probably be online) where key players can convene several times per day, ready and able to work the problem. Define a crisis communication strategy: Who communicates what to whom? And with what frequency? The audiences will be your own people, extended leadership team, customers, and business partners.

- **Stress-test the top line, P&L, and cash flow.** Establish detailed modeling of your top five markets to estimate how they will develop and to gauge key sensitivities in the P&L. As with the critical-issues list, this needs to be an agile model. It must be updated every 48 hours as the crisis unfolds.
- **Instill commercial urgency in the front line.** Even in this severe downturn, there are pockets of growth. Where are they? Online? Or in select customer segments or geographic areas? Charge your frontline teams

with finding opportunities wherever and however they can. They need to organize a fast ramp into online sales channels in order to take the company from offline to online, not only for consumer channels and resale but for all B2B selling. Here, too, creative and agile models work: if you are caught off-guard or if conditions change suddenly, the commercial operation must respond. The emotional stress of the emergency and the reality of remote work make this harder—but much more important.

- **Stay loyal to customers.** Loyalty isn't just a matter for your front line—it's an imperative for you and your leadership team. Your customers are under the same stress you are. If you can help your most loyal customers with solutions that make a difference, you will tighten the bonds, and that closer relationship will persist once the emergency is over.
- **Build contingency operational plans.** The resilience of critical system operations is vital to your organization's mission and survival. Even if you have closed many of your operations (for example, your retail bank branches, your production plants), your back-end and online systems need to continue functioning in order to meet your customers' needs. Determine what it takes to establish and maintain operational and supply chain certainty, including how to operate with a workforce impacted by infection or illness.
- **Protect your people.** Health and hygiene come first: if your people don't stay healthy, you don't have a company. Establish remote-working practices, not just the basics but how to work effectively and productively while maintaining social distance.
- **Engage with your staff.** This is the time to leverage the purpose of your company and have leaders engage with staff on a frequent basis. Address your people's panic and fear head-on. Be

honest, be transparent, and convey that you share their concerns, but remind them that you will all get through this as one strong team. Take steps to meet practical challenges; for example, support working parents who have to take care of their children and provide for home schooling while continuing to meet their responsibilities at work. Decide how much flexibility you can provide during this very stressful situation. Be inventive. In China, one company is holding online singing, dancing, and sports competitions, as well as yoga classes—all ways to build bonds among people who are isolated at home. Remember to continue to reward and recognize your top performers and stay close to them.

- **Reduce the burn rate wherever possible.** Make decisive but no-regret moves. Stop salary increases, freeze hiring, reduce the head count of low performers, reap the savings from cancelled events, and significantly decrease marketing during the peak weeks of the outbreak. At the same time, identify radical cost levers to pull at certain trigger points as the crisis unfolds. Will you significantly cut marketing to save it for later or even cancel some of the spending? Will you pause or downsize new-product launches? Will you close offices? Will you drastically slash your procurement? How tough an ask will you make of your suppliers? Plan today for worst-case scenarios. You need sufficient funds now.
- **Focus on cash management to strengthen liquidity.** Your financial strategy should be to preserve cash above all. Build reserves, and postpone capex projects and large opex projects. Reduce your share buybacks. Liquidity should be your sole focus. You need to consider which trading partners are important enough to your value chain that you are prepared to support them and help them survive.
- **Move preemptively to seize advantage.** It's not only your frontline people

who should be looking for pockets of opportunity. Even in difficult times, you should look for ways to capture market share where you can—whether it’s the result of behavioral changes as customers move online or to new channels, or because conditions allow you to buy distressed assets that will enhance your portfolio.

- **Harden IT systems.** Your IT infrastructure will be under stress as most of your workforce shifts to telework and as other critical operations, such as finance and investment, are forced to rely even more on virtual connections. The strain threatens to hamstring your operations and might make systems vulnerable to cyberattack. Make sure your IT systems and your cybersecurity are both up to the challenge.
- **Remember to do good.** The state of emergency means that all of us—and our organizations—are called on to do our part for the community at large. Remember your community and try to help. Identify pro bono opportunities. You will improve your organization’s skills and enhance its reputation in society. And it’s the right thing to do.

Those immediate steps are urgent—but they are not enough. CEOs also need to plan for what happens after the outbreak. The world will be very different post-COVID-19. What are the key changes, and how do you position your company for that altered reality? Here are the main questions you should ask to establish your longer-term imperatives:

- **What is the “shape” of the recovery—V-, U-, or L-shaped, or none of the above?** Several recovery scenarios are possible. China is in a V-shaped recovery, a sharp downward plunge followed by a sharp return to something resembling a normal level of business. Japan, Korea, Hong Kong SAR, and

Singapore are all following the same path as China. Europe and the US talk about “flattening the curve,” slowing the rate of infection instead of eliminating it. Flattening the curve might be the only option in some places, but it means a longer timeline and a drawn-out recovery of several quarters or perhaps several years. CEOs must watch the initial signs and the developing trends in order to assess how the recovery is evolving and should then synchronize their company’s resources and investments to the rebound.

- **What will change for good?** Depending on how long the outbreak lasts, and how severe its impact is, long-term changes are likely. Will consumers return to their old behavior patterns—retail shopping, going to events—or will they stay online (and avoid mass gatherings) after the all-clear signal is given? Will there be new opportunities, such as a renewed commitment to health and wellness? Will B2B customers change their buying patterns to exclusively online purchasing? How will supply chains operate and with what new safeguards? Will travel patterns change in a way that affects the business? What will be the future role of physical events and other traditional forms of marketing and promotions? Considering that demand for more comprehensive health care systems and insurance seems likely, how will health insurance costs change and what will be the impact of those changes?

Right now, none of us can say what the future holds. But by acting urgently, making the right immediate moves, and asking the critical long-term questions—and doing that all the time, for the duration of the outbreak—you and your organization will be better prepared for whatever comes. We urge you to take a leadership perspective and seize this moment of truth.

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