COVID-19
RAPID CRISIS RESPONSE CHECKLIST

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## BCG’S COVID-19 RAPID CRISIS RESPONSE CHECKLIST

### EXECUTION CLARITY
- Coordinate and scale response and planning adaptively
- Engage the organization
- Empower the team
- Lead with purpose & integrity

### TEAM HEALTH & SAFETY
- Reduce risk of transmission
- Support those who are/may be infected
- Reduce stress and boost morale
- Ensure compliance with regulatory requirements

### BUSINESS STRENGTH
- Preserve top line and build trust with customers
- Reinforce ability to supply
- Adapt resources to meet business needs
- Monitor & respond to market and competitive dynamics
- Prepare for bounce-back scenarios

### FINANCIAL RESILIENCE
- Manage cash and liquidity
- Ensure cost discipline
- Revise financial plan and perform scenario-based stress tests

### ADDITIONAL COVID-19 RELATED THINKING & MATERIAL
- Designed to be digestible yet comprehensive for leaders, owners and operators

Treat this as a rapidly evolving document, current version as of 3/23

Help us enhance this critically important checklist by sharing your perspective in our survey

Additional COVID-19 related thinking & material

[CLICK HERE TO ACCESS]
[CLICK HERE TO PARTICIPATE IN A 5 MINUTE BENCHMARKING SURVEY]
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- C Empower the team
- D Lead with purpose & integrity

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LATEST AS OF 03/23/2020

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## 1 TEAM HEALTH & SAFETY

### A Reduce risk of transmission

- **Hygiene and cleaning**
  - Adjust workplace cleaning protocol (e.g., increase in-office cleaning, reinforce station changeover SOPs)
  - Conduct health/temperature check for employees/visitors at workplace where warranted
  - Communicate personal hygiene good practices; educate on social distancing measures
  - Provide masks, wipes etc. for onsite employees

- **Separate teams to ensure they work in different, satellite locations and/or non-overlapping time slots (e.g., every other week)**
- **Implement A-team/B-team splits for onsite operations**
- **Restrict use of office for certain groups (e.g., visitors, non-critical personnel) and reduce in-person meetings (e.g., trainings, daily operations stand-ups), face-to-face interaction, and social gatherings**
- **Establish work-from-home (WFH) policies where possible and ensure appropriate technological infrastructure support (e.g., IT solutions, VPNs, virtual meetings including video-conferences)**
- **Adjust travel policies (e.g., reduce non-essential travel—especially to highly impacted areas, reduce cross-facility travel and third-party presence) and modify sick leave policies to align incentives and encourage precaution**

### B Support those who are/may be infected

- **Introduce employee self-quarantine policy based on travel history/health status**
- **Create a safe channel for employees to notify company about an infection**
- **Provide contact information for tele-docs for remote counseling (and expand availability if needed)**
- **Establish policies around forced time off in case of infection/quarantine and refine paid time off policies—and return guarantees—to prevent sick employees from coming to work**
- **Identify, monitor, and protect critical personnel, roles, and activities**

### C Manage stress and boost morale

- **Communicate proactively about all aspects of the business and efforts undertaken**
- **Organize information sessions and calls to address employees’ questions**
- **Prepare for changes in environment (e.g., policy changes in the case of a reduction in government services such as school closures)**
- **Start thinking about target-setting and implications for compensation in a time of uncertainty**

### D Ensure compliance with regulatory requirements

- **Ensure compliance with regulatory requirements (e.g., OSHA, FMLA, ADA in the US)**
- **Engage with work councils and unions as appropriate for respective region(s) of operation**
2 BUSINESS STRENGTH (1 OF 2)

A Preserve top line and build trust with customers

- Establish demand-side rapid response team to monitor marketing, sales and pricing implications
  - Model top line revenue implications and adapt go-to-market strategies (e.g., implications for salesforce effectiveness)
  - Monitor key metrics to prevent capitalizing on the crisis for short-term gains (e.g., price gouging)

- Understand changing customer needs
  - Reach out to customers to understand their situation and needs; communicate clear plan to mitigate risks and ensure business continuity
  - Observe and respond to shifts in customer behaviors; use 01’ and 08’ shocks to predict likely shifts
  - Define actions/messages to show confidence and ensure ability to deliver to customers (e.g., multichannel, people-light approaches)

- Build confidence with customers in small (e.g., sanitizer at POS) and big ways (e.g., mass outreach, adjust return policy)

- Refocus product and service offering
  - Evaluate opportunities to ensure stronger linkages with key customers (e.g., via contracts, discounts, financial support)
  - Resource less affected channels, products and services appropriately (e.g., focus on online vs. offline retail)

B Reinforce ability to supply

- Establish supply chain rapid response team to monitor and update assessments and actions
  - Prioritize public health and safety-critical products and services and ensure alignment and awareness upstream and downstream
  - Mobilize central “war room” to evaluate and address supply vulnerabilities and monitor risk daily
  - Actively communicate to minimize business disruption from supply constraints (review impact on manufacturing, suppliers-tier 1/2/3, logistics)

- Implement product/service allocation processes for constrained assets and/or supplies
  - Plan for reductions in range of offerings to reduce complexity while maximizing stakeholder/customer benefit

- Understand liquidity and business position of key suppliers and associated risks
  - Create “COVID-19 Supplier Audit”, assess critical vendors (also consider vendor risk given location, size, operational processes, etc.), and provide action oriented feedback

- Provide financial/non-financial support to value chain partners (if feasible)

Identify and mitigate risks with both immediate and mid-term view

- Activate alternatives and contingencies for critical components, operations, and logistics routes
- Plan for near- & long-term impact in conjunction with lead times & value chain (critical S&OP focused on 3-12 mos., not just immediate term)
- Evaluate alternative demand/supply scenarios and their impact on capacity, and determine mitigation strategies (new local sourcing, etc.)

- Shift inventory position to manage impact of near- & long-term market/health scenarios (e.g., safety stock/forward buying, space constraints)
- Ensure proper safety precautions inbound from suppliers and outbound from facilities with consideration to lead times

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## BUSINESS STRENGTH (2 OF 2)

### C Adapt resources to meet business needs
- Identify and prioritize critical products/services needed for rapid response
- Focus on critical constraints in internal as well as external value chain elements
- Assess and manage Shared Service Center risks to ensure business continuity, in particular when offshored/outsourced
- Where possible, explore opportunities to partner with other companies to optimize resources (e.g., delivery companies borrowed staff from physical restaurant chains in China)

### D Monitor & respond to market and competitive dynamics
- Leverage lessons learned from other countries where the crisis has progressed further (e.g., China)
- Track competitors’ situations and actions to inform strategic, operational, and financial decision making
- Examine sector viability: Identify collaboration opportunities to accelerate resolution (e.g., collaboration to develop COVID-19-vaccine)
- Redefine budgets and targets as frequently as possible and necessarily (e.g., daily, weekly, monthly) by geography/market/segment
- Leverage intelligence (e.g., activate your salesforce for customer/distributor outreach surveys) to identify “inflection point” (when the situation gets stabilized and consumption confidence returns) & ramp up/redirect sales activities, inventory, trade support, and marketing

### E Prepare for bounce-back scenarios
- Identify company-specific scenarios informed by potential macroeconomic scenarios (e.g., “W”, “U”, “L”, “V”)
- Ensure appropriate capacity (internal or external) to respond to potential shifts in demand
- Actively assess acquisition opportunities (e.g., distressed assets, countercyclical investments)
- Explore opportunities to configure “comeback marketing campaign” in advance, quickly pick up ad spending post-epidemic (craft new product and service story and create new selling points)
- Prepare for bold moves and implement learnings with regards to business model modifications

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## 3 FINANCIAL RESILIENCE

### Manage cash and liquidity

- Establish liquidity office to forecast cash flows and manage/mitigate risks
  - Ensure rigorous, prudent cash management and governance and reduce non-critical uses of cash
  - Prepare for significant changes to cash conversion cycle (e.g., cash terms with key suppliers and customers)
  - Adjust working capital (inventory management and payment terms) to ensure ongoing delivery of high-priority products/services
  - Review debt retirement schedule and covenants

- Stress-test cash flow from financing/investing based on market scenarios
  - Secure and/or access financing options (e.g., credit lines, revolvers); engage with debt holders/banks to discuss potential for extended financing
  - Assess credit risks to current accounts receivable
  - Review of commitments, MAC clauses and Force Majeure options

- Assess viability of current investment roadmaps and dividend policy and share repurchase plans
  - Postpone non-critical capital expenditure
  - Rationalize short/medium-term capital spending unless it offers a clear longer-term competitive advantage
  - However: Identify opportunities to bring forward asset enhancements if cash/liquidity is not an issue and asset not/only marginally utilized due to outbreak (e.g., store/hotel renovations, servicing of equipment)

### Ensure cost discipline

- Ensure procurement control tower in place (e.g., PO authorization processes, active management of open POs and delivery schedules)
- Variabilize cost to as great an extent as possible (e.g., enabling voluntary LOAs, slowing or pausing discretionary hiring)
- Understand employee base (e.g., best attendance records, longest history with company) to prepare for uncertain future
- Avoid conducting business-as-usual under pre-crisis assumptions (e.g., signing lease agreements or renewals)
- Mitigate or redirect discretionary spend to build financial flexibility (such as marketing; however, avoid removing all ads and cautiously select marketing channels during epidemic)

### Revise financial plan and perform scenario-based stress tests

- Conduct scenario planning and develop action plan accordingly
- Perform financial and liquidity stress test and conduct rollings forecasts
- Engage with shareholders and assess activism vulnerability
- Revise target-setting and objectives (e.g., sales targets, production plans, related KPIs)
- Communicate financial resilience to key stakeholders
- Reset investor expectations around guidance (e.g., top-line, EPS) with a focus on the medium-term
- Explore alternative and deferred compensation models for high-earning colleagues

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# 4 Execution Clarity

## A Coordinate and scale response and planning

- Set up a central, cross-functional, rapid-response team (PMO) to make clear decisions, and monitor/take control of the situation (enabled with necessary decision authority and sufficient staffing to take a day-to-day agile approach to navigate changing environment)
- Identify critical processes and key resources (HR, Finance, Procurement, IT, Legal, Real Estate etc.)
- Set up daily rapid response meetings to provide fact-based analysis to enable fast, high quality decision making

### CLICK HERE FOR SAMPLE RAPID RESPONSE PMO STRUCTURE

- Develop concrete action plans based on 3-5 medium-term scenarios (i.e., “W”, “U”, “L”, “V”) and clearly communicate action plans to key stakeholders
- Macro: Vary scenarios by shape and severity of broad economic impact
- Internal/company-specific: Build view on potential impacts to team, P&L, cash flow, and balance sheet
- Identify, track, and mitigate existing and new risks

### CLICK HERE FOR MORE ON TEAM HEALTH & SAFETY

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## B Empower the team

- Tell your employees what they should be doing in order to prevent organizational paralysis, confusion and misinformation communicate, communicate, communicate!
- Provide clear direction on operational boundaries and principles (e.g., owned and shared accountabilities, decisiveness, entrepreneurial mindset, act rapidly & flexibly and be engaged) to enable frontline leaders to execute
- Establish a two-way communication / Q&A channel

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## C Engage the organization

- Gauge current sentiment within organization (e.g., via short online survey, dedicated communication channels, cascading team calls)
- Provide honest and frequent 360-communication through multiple channels
- Set up a digital information hub for all the latest policies and information
- Unlock discretionary effort beyond regular roles and responsibilities by suggesting “If you want to be involved in X, then contact Y”

### Lead with purpose and integrity

- Find ways to support your employees, community and society
- Reinforce your vision, mission & purpose and/or highlight critical elements of your company’s value to customers
- Leverage your resources/network to make a difference by providing products and services (beyond monetary donations) to affected people at your company and in your communities
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