Considering the potential business impacts of the COVID-19 outbreak for the PE industry

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pwc

The COVID-19 outbreak has been declared a public health emergency of international concern by the World Health Organization, causing huge impact on people's lives, families and communities.

As the international response continues to develop, we know that organisations are facing potentially significant challenges to which they need to respond rapidly.

We are working closely with organisations globally to help them to prepare and respond, by sharing our experience in working with companies, governments, regulators, NGOs and international organisations around the world to respond to some of the most high profile outbreaks (including Ebola, MERS, SARS and bird flu).

Common issues that many organisations are facing from COVID-19

Workforce

Protecting wellbeing and welfare, especially those living in affected territories

Supply Chain

Re-routing, delays, disputes and knock-on impact on customers

Decline in sales

Leading to cash flow and covenant issues

Operations

Reduced resilience in key functions, infrastructure and services, or locations become unavailable

Travel

Restricted or prohibited to some locations, and impacting business and leisure demand more generally

Regulation

Compliance challenges in certain sectors
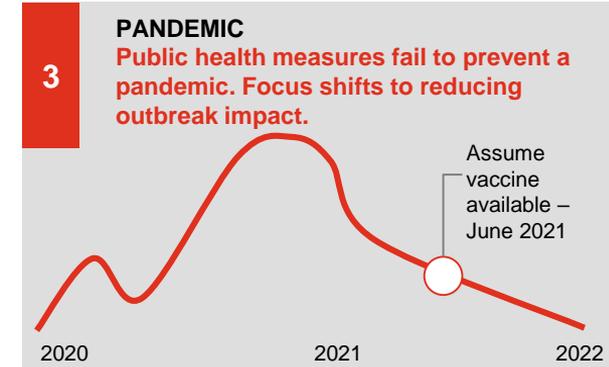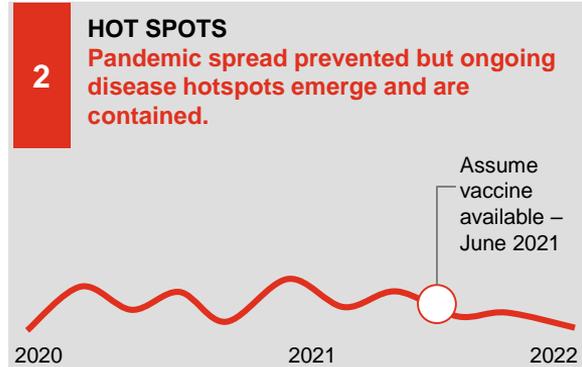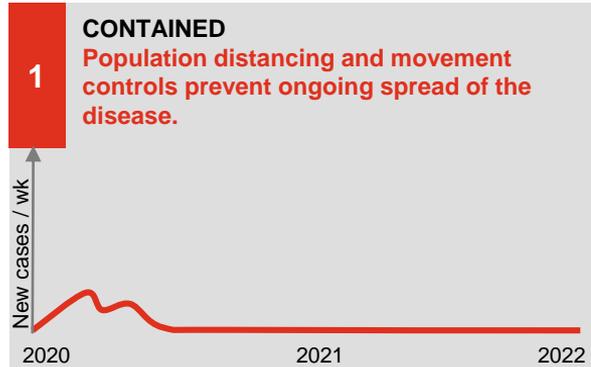
Contents

Potential COVID-19 scenarios to inform crisis planning

PwC epidemiologists and economists have worked together to form coherent scenarios based on fact-driven assumptions.

1 CONTAINED
Population distancing and movement controls prevent ongoing spread of the disease.

2 HOT SPOTS
Pandemic spread prevented but ongoing disease hotspots emerge and are contained.

3 PANDEMIC
Public health measures fail to prevent a pandemic. Focus shifts to reducing outbreak impact.

Assumptions:
- Near 100% case detection rate in all countries, including of mild cases.
- Successful contact tracing and quarantine measures in all countries.

Impact:
- **Workforce**: Home working and travel restrictions in affected countries as disease is contained.
- **Supply chain**: Reduced output from affected countries impacts supply chain in the short term.
- **Economy**: Uncertainty has a short term impact on markets. Affected countries more significantly impacted.
- **Timeframe:** 3 to 6 months.

Assumptions:
- Not all cases are detected, allowing spread at a reduced frequency.
- Successful contact tracing and quarantine measures around emerging cases prevents a pandemic.

Impact:
- **Workforce**: Home working and travel restrictions in existing and newly affected countries.
- **Supply chain**: Reduced output from affected countries impacts supply chain.
- **Economy**: Ongoing uncertainty has longer term impact on markets. Affected countries more significantly impacted.
- **Timeframe:** 12 to 18 months.

Assumptions:
- Contact tracing and population movement controls are unsuccessful in containing outbreak.
- Commercially available vaccine necessary to stop spread.

Impact:
- **Workforce**: Major global disruption, including home working, travel restrictions and morbidity and mortality in the workforce.
- **Supply chain**: Global shortage of some goods due to production slowdown.
- **Economy**: Increased risk of global recession dependent on the severity of the pandemic.
- **Timeframe:** 12 to 18 months.

Setting up your COVID-19 response: example strategy and operating model checklist

Strategic considerations

❏ Establish a cross-functional steering committee, led by a C-suite member. Ensure senior representation from business divisions plus specialist leadership such as HR, Legal, IT, Operations, Risk, Communications, Finance, Health and Safety, Procurement, Sales and Crisis and Business Continuity.

❏ Establish and agree process for decision making and agree critical milestones.

❏ Determine reasonable worst case scenarios to inform planning assumptions, consider likely trigger points for decision-making. Review and refresh Crisis, Continuity and specialist plans (e.g. pandemic/COVID-19). Stress test assumptions and exercise plans.

❏ Prepare your core Incident Management Team (IMT) to coordinate response and containment efforts.

❏ Map critical stakeholders and agree communication strategies for them. Base the immediate response and communications on established facts from reliable, trusted sources.

❏ Appoint functional workstreams and owners, and align activity with response objectives.

❏ Ensure alignment with organisation reputation, purpose and values (e.g. supporting the wider community response).

❏ Communications to staff and stakeholders, and feedback loops. Balance transparency and preparedness with not wanting to appear to be over reacting.

Set up an Incident Management Team to coordinate your response

❏ Set clear roles, accountabilities and objectives.

❏ Agree meeting cadence and team ways of working.

❏ Communications and stakeholder engagement strategy.

❏ Use approved sources of information to monitor the spread of the virus and emerging clusters of cases.

❏ Embed an incident reporting mechanism.

❏ Identify critical decision triggers to manage and contain the virus e.g. travel restrictions; office closing/work from home; meeting restrictions/virtual solutions.

❏ Deploy a rapid response process for your own cases and develop personnel recovery plans.

❏ Verify that technology infrastructure can support remote operations.

❏ Review supplier service availability and resilience.

Scenario planning

❏ Evaluate COVID-19 specific scenarios for your organisation. Identify potential risks and assess impacts.

❏ Ensure business continuity plans include arrangements and processes for handling an infectious disease outbreak, epidemic and pandemic.

❏ Model the financial impact of scenarios and potential triggers for urgent action (e.g. breach of covenants).

❏ Identify strategic interventions to stabilise your organisation.

Setting up your COVID-19 response: considerations (1)

COVID-19 response strategy

Workforce

Protect your people and plan your workforce

❏ Is a comprehensive set of people policies in place that address the risks identified by your scenario planning and any local, legal or regulatory requirements?

❏ Do you have full visibility of your people (geography, nationality, visa, etc.) and the right processes and systems in place to track your workforce, including those on business or personal travel and/or secondment?

❏ Have you identified the critical projects and established a plan to remediate risks related to key roles?

❏ Have you completed workforce profiling to understand where work levels are likely to decrease or increase due to impact?

❏ Have you put risk mitigation around employees working whilst ill and causing further spread by considering the ability to enforce policy changes quickly?

❏ Have you set up a hotline for your workforce to field questions and provide advice as needed?

❏ How can you enable flexible working arrangements in the event of quarantine and do you have the necessary infrastructure in place?

❏ Do you have up-to-date and accurate information to make decisions on moving your workforce, if needed (e.g. alternative locations)?

❏ Have you reviewed your HR policies (e.g. flexible working, immigration, travel, and other relevant policies and regulations)?

❏ Do you have a system in place to monitor changing laws and regulations (e.g. travel restrictions) affecting your workforce?

Operations and supply chain

Maintain business continuity and protect your supply chain

❏ Have requirements of key suppliers, such as Facilities Management and IT service providers, been reviewed in light of any requirements that may change during a pandemic period (e.g. increased cleaning regimes)?

❏ Have you liaised with key third parties to ensure they will be able to continue to deliver desired service levels during the coming period?

❏ Are you monitoring exposure trends and restrictions against your supply chain?

❏ Have you performed an operational risk assessment and considered the impact of disruptions on critical business functions?

❏ Do you have visibility of critical supply chain parts and data to properly assess the potential damage and create immediate plans?

❏ Do you have any third party single points of failure?

❏ Have you performed a risk assessment across all supply chain tiers? Have you considered using machine learning to find patterns that can be indicators of risk - or opportunity?

❏ Have you evaluated strategies for alternative sourcing, including the impact of tariffs to cost?

❏ Do you have a communications strategy in place for key supply chain stakeholders?

❏ Have you activated product redesign/material certification resources?

❏ Have you conducted scenario planning exercises to understand the operational implications, both financial and non-financial, of various scenarios?

Communications strategy

Provide clarity to employees and stakeholders and enable business continuity

❏ Have you created an internal and external stakeholder map for key communications (considering staff, customers, suppliers, regulators, etc)?

❏ Do you have a clear communications strategy that can be implemented in a crisis to protect your reputation and maintain the trust of your stakeholders?

❏ How are you communicating with your employees?

❏ How are you keeping employees regularly informed about the latest updates and guidance?

❏ How are you providing reassurance and consistent messaging to all staff and showing a duty of care?

❏ How are your crisis communications aligned with your organisation's culture and communications requirements?

❏ How can best practice approaches be tailored to suit your organisation?

Setting up your COVID-19 response: considerations (2)

COVID-19 response strategy

Focus on data

Gain insight and assess your exposure to risk

❏ Do you understand how an affected country/region might impact the commercial performance of your industry, your business, or that of your suppliers?

❏ Do you understand the potential impact of a global or country-specific slowdown, combined with Brexit, on your business?

❏ Are you able to access robust data insights to underpin key decisions that you need to make?

❏ Do you have the time and skills to digest and analyse existing data sources in new ways to enable decision making?

❏ Are you able to identify new data sources that may be required?

❏ Are you able to rapidly automate data capture processes for new data sources?

❏ Can you efficiently blend datasets to reveal insights?

❏ Do you have the skills and experience to manage sensitive data responsibly?

❏ Do you have models that answer your questions or issues, including challenging and validating data and model assumptions?

Customers and revenue

Balance customer care with commercial priorities

❏ Have you updated your sales and demand planning strategy, including assessing changes in customer behaviour (e.g. buyer habits)?

❏ Have you formed a coherent customer communications plan?

❏ Does your plan help to preserve and enhance customer loyalty?

❏ How does your health and safety plan extend to customers?

❏ Do your policies reflect the need to protect both your customer and commercial interests (e.g. updating policies to be flexible on cancellations and changes, rationing products with insufficient stock sales to top customers)?

❏ Have you evaluated your competitive position under the new environment, identifying both risks and opportunities?

❏ Have you identified and created an action plan against the core marketing and sales priority areas (including inventory planning, pricing strategy and discounting)?

❏ Can you innovate and invest in available sales channels (e.g. online vs in-store)?

Head office functions

Join-up efforts on a cross functional basis to ensure business continuity and resilience

❏ Do you need to financially or operationally restructure your business to reduce risk and protect value?

❏ Have you updated your working capital plans and forecasts?

❏ What contractual options are available to you as the customer, or could be used against you as the supplier?

❏ What contractual levers do you have available to suspend, terminate or change the terms of supply (e.g. invoking force majeure provisions, termination provisions and step-in rights)?

❏ What access do you have to emergency funding or increased production funding needs?

❏ Have you considered the tax and regulatory implications of moving people to alternative locations? What systems and processes do you have in place to monitor movement of your employees?

❏ What insurance policies and access to emergency insurance do you have in relation to your scenarios (e.g. notifiable disease implications)?

❏ What technology infrastructure and resilience capabilities do you have?

❏ Can your IT infrastructure support extensive remote access demands?

❏ How are you securing and maintaining your IT systems and data? Have you assessed whether the changes in the IT environment would increase the risk of a cyber attack?

❏ What are your triggers for making disclosures to the markets?

We can work alongside you to tackle the challenges you face in responding to COVID-19

Crisis response and management	• Establish a **crisis response structure** with established workstreams, clear responsibilities and accountabilities. • Develop **likely and reasonable worst case scenarios** and their potential impact to support crisis and response planning.		

Workforce	• **Assess potential impact and develop options** to support, move or evacuate, using employee location/profile and emerging intelligence data. • Adjust HR policies to **align with local regulations** (e.g entitlement to continued pay during quarantine).	Operations and supply chain	• **Perform an operational risk assessment** and consider and plan for the impact of disruption on critical business functions. • Understand your COVID-19 **supply chain risks and impacts**, including third party suppliers.
Communications strategy	• Develop a **rapid communications plan** and approach to build and maintain trust and reputation during the crisis for key stakeholders. • Tailor **best practice templates** and **communications materials** such as emails, FAQs and intranet.	Focus on data	• **Identify data needs** and develop protocols for data extraction, preparation and analysis. • **Model the impact of scenarios** on industry sector or business-level commercial performance, and stress test commercial revenues against downside economic scenarios.
Customers and revenue	• **Revise your sales strategy** to deal with the evolving customer behaviours and competitive environment (risks and opportunities). • Prioritise actions to **protect customer relationships** and commercial interests. • Model customer **behavioural change.**	Head office functions	• **Legal, IT, Commercial and Insurance**: review existing insurance coverage, IT infrastructure and resilience, force majeure, contract clauses. • **Finance, Treasury and Tax**: financing, restructuring and cash-flow. • **Investor Relations**: market disclosure.

COVID-19 scenario planning and review workshop

We can help you develop a robust and commercially astute response to minimise the negative impacts of COVID-19, maintain the delivery of your critical business processes and protect your people and assets. The scenarios we help you draw up will be based on fact-driven insights from our economics and epidemiology experts.

Our approach

We facilitate a half/full-day workshop, which could be virtual, to support your assessment of your reasonable worst case scenarios. Our experts will work with a cross-functional team from your organisation, and bring knowledge and experience to provide insight, help identify previously unconsidered risks and also support your response.

01

We will help you identify the reasonable worst-case scenarios for your organisation.

We will use a combination of your own planning, open source material and our experts' views on how the situation may develop to inform this discussion and identify a list of scenarios which merit more focused planning.

02

We will support you to identify and prioritise potential risks and impacts around:

- People
- Workplace
- Legal/Regulatory/Tax
- Supply and distribution chains
- Commercial/Finance
- Reputation
- Technology

Prioritise by assessing the impact and likelihood to inform allocation of effort and resource.

03

We will facilitate the consideration of mitigating actions and preparedness plans:

1. Identify actions to mitigate risks.
2. Where risks cannot be mitigated, consider preparedness activities. This may be linked to crisis management, pandemic and BCM plans.
3. Agree clear owners for the risks identified, and key actions that must happen now.

As part of this discussion, we will also consider triggers that will require decisions to be escalated to the senior decision-making team (e.g. Crisis Management Team or the Board).

Objectives

- Agree likely and reasonable worst-case scenarios.
- Identify potential risks and key impacts.
- Assess current levels of preparedness, including other sources of information which could be leveraged.
- Identify mitigating actions against the key potential impacts, identify and prioritise actions which need to happen now and agree clear owners.

Tailoring our approach

We recognise that clients are all in different states of readiness and so, for some clients, the workshop is used to review and challenge both their scenarios and existing plans.

COVID-19 specific support

We can tailor and flex our role to satisfy your specific crisis response needs, wherever you need us most. We want to provide the specific support that you need to sustain your business.

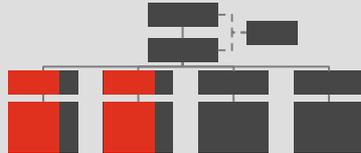**Illustrative roles we often provide on crisis projects**

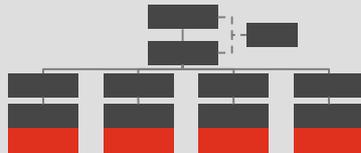Crisis strategy guidance and/or quality assurance
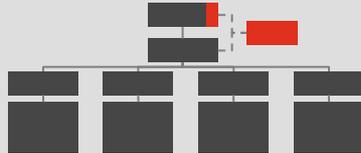
Project Management Office (PMO) and data insights
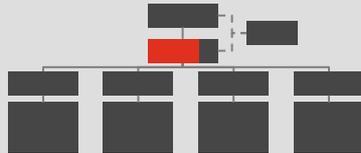
Workstream lead(s)
(e.g. communications, supply chain, employment policy, data and analytics, tax, legal, restructuring, immigration and wellbeing, etc.)

Surge capacity
Including managed service capabilities for critical services

We can provide local resources, insights and knowledge from the locations that matter to you

UK network

22,601

people working in the UK

European network

88,064

people in Europe

Our global network

276,005

people worldwide

936

partners

316

European offices

736

offices

157

countries

Case studies

We are supporting many clients across a range of industries in their COVID-19 response and planning. Below we set out some of our broader crisis and resilience experience.

Connecting private sector global conglomerates to the public sector and NGOs in a health crisis

During an international health outbreak, a private sector group of global companies formed together with public sector and NGOs to act as a platform to receive updates, exchange information and share views in response to the crisis. Individual country groups were also formed and worked closely with the public sector on the ground to provide operational assistance to help combat the disease.

We provided technology-enabled support to maximise the effectiveness of communications in a secure environment - including allowing documents to be shared and discussed online, therefore facilitating communication and decision making at the highest level.

Communicating with health workers during a virus outbreak

In the wake of a prolific virus outbreak, a government client needed to rapidly reach out to its 270,000 health workers across the country. This work was part of the '100 Day Plan' engagement to assess the current Ministry of Health strategy, and make recommendations for change. We worked directly with senior government officials and developed the internal communications strategy and plans for the Ministry of Health. We drafted content for internal communications on raising awareness of the virus in non-affected hospitals. This was then expanded to inform all health workers of the risks of another outbreak that was taking place on another continent whilst our team was on the ground. Through this work, we included a number of new communication channels to help drive employees online, including communication hotspots in sites across the country.

Providing key information to combat a potential pandemic

A critical component of an effective response to a health crisis is to have accurate epidemiology information for use by the scientific community and the Ministry of Health. In responding to a potential pandemic situation, our client needed assistance with capturing and providing such key information. We designed the information capture and quality assurance processes from hospitals' historic and contemporary records. We built a repository for the interrogation and archiving of information and supported the epidemiology community with ongoing analysis from the information set. We managed a daily reporting process for the government, capturing new cases and providing updates on existing cases by communicating with private and public hospitals nationally.

As a result, the government and global health agencies were able to provide an effective response to the health crisis and provide worldwide assessments as to the likelihood of a pandemic situation emerging.

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