

Understanding the implications of COVID-19 (Coronavirus) for private companies

The COVID-19 pandemic has resulted in both business leaders and owners having to mobilize quickly and make decisions for the short term with implications for the long term that we might not fully understand yet. As global supply chains, the financial markets and the workings of day-to-day businesses are disrupted, many business owners are focusing on resilience measures, ensuring risks are anticipated and managed for both employees and clients in terms of production in the future.

Supply chain & operations	Suppliers 	Physical logistics 	Contracts 	Inventory 	Customer loyalty and demand
Business impact	Awareness & communications 	Workforce availability 	Technology & system resilience 	Commercial plans 	Board governance
Financial & external factors	Cash flow 	Financial stability 	Global trade & protectionism 	Gov't & Public health requirements 	Sector disruption

Crisis management & business continuity planning

Actions

Now

- Seek to understand key risks across operations and supply chain
- Mobilize teams to firstly navigate crisis response and secondly focus on supply chain assessment and risk management
- Consider whether your governance in place to rapidly make key decisions
- Conduct business and financial scenario planning for a quick recovery, a global slowdown and a possible recession

Short term

- Plan mitigating actions across operations and supply chain, assessing impacts on sea, air and land transport
- Ensure communications are made with principal customers and stakeholders
- Review and assess what impact this will have on workforce planning and management
- Review phasing impacts depending on your sector

Ongoing

- Create an agile and visible global supply chain
- Understand and deploy digital and process automation to mitigate the impact of disruption.
- Develop and implement enhanced risk management practices

Observations

- Manufacturing closures in China
- Increased travel restrictions
- Increasing public health requirements
- Suppliers relying on force majeure clauses [to excuse or delay performance]
- Additional border checks resulting in delays
- Congestion at seaports and airports, with busy sea routes from Asia to Europe being cancelled
- Reduced outbound capacity from China with increase in prices
- Labor shortages impacting productivity and land transport

Actions some companies are taking include: contingency planning and scenario modelling, operational and supply chain risk management, financial risk assessments, business resilience, and digital and supply chain transformation.

Checklist

Suppliers	<ul style="list-style-type: none">— Do you know where your key suppliers are located? Do they have contingency plans in place to ensure the continuation of supply?
Physical logistics	<ul style="list-style-type: none">— Do you know your supply routes? Have you spoken with your logistics providers to understand any potential impacts and how they propose to mitigate against them?— What are your contingency plans if routes are cancelled?
Contracts	<ul style="list-style-type: none">— Have you reviewed your contracts with key customers and suppliers to understand your potential liability in the event of supply shortages, and how best to manage your legal risks?— How will you respond if suppliers invoke force majeure clauses?
Inventory	<ul style="list-style-type: none">— Have you assessed your inventory cover? Do you need to ring-fence inventory for particular customers in the case of shortages?— Do you have the ability to track shipments in real time and therefore manage customer expectations?
Customer loyalty & demand	<ul style="list-style-type: none">— How will you set expectations with customers? How can you recover the experience in the future?— How well do you know your customers? Are you likely to lose customers to competitors/alternatives?— How will a drop in consumer demand impact your long-term growth plans?
Awareness & Communications	<ul style="list-style-type: none">— Do you have a communications plan?— Have you communicated with the relevant customers, employees and suppliers?
Workforce availability	<ul style="list-style-type: none">— How will you deal with the impact on your workforce? How can you ensure the safety of your employees while trying to maintain business as usual activities?— Have you assessed the cyber security and health and safety risks associated with employees working from home?
Technology & system resilience	<ul style="list-style-type: none">— Have your 3rd party IT suppliers been impacted? Will this impact your SLAs and system support?— Does your workplace/communications technology allow you to reduce travel and enable remote working?
Commercial plans	<ul style="list-style-type: none">— How will your change plans and programs be impacted? Will project deadlines and investments need to be delayed? What impact does this have on your strategy?
Board governance	<ul style="list-style-type: none">— Adhering with travel bans, how will this impact your board governance, meetings and the way you run your business? Do you have the technology in place to support remote working?— For legal coverage, have you identified how to document the additional requirements to meet commitments?
Cash flow	<ul style="list-style-type: none">— Have you reviewed and revised cash flow, working capital management and inventory forecasts alongside supply and demand predictions?
Financial stability	<ul style="list-style-type: none">— How will your financial stability be impacted from further stock market declines and restricted funding?— Will the completion of your financial statements be delayed? Is this likely to cause a delay to your audit opinions and therefore market communications?
Global trade & protectionism	<ul style="list-style-type: none">— Are you aware of government mitigation plans which could impact your supply chain?— Do you have any domestic alternatives for suppliers?
Gov't & Public health requirements	<ul style="list-style-type: none">— Do you have dedicated resource(s) reviewing public health requirements and other related Government announcements and ensuring that you stay informed?— Have you assessed your obligations as an employer for the health and safety of employees?
Sector disruption	<ul style="list-style-type: none">— How will you maintain trust with your customers and assure them that your product/ service is still safe?— How will a drop in demand impact your cost base and profitability?— Are you aware of the phasing of impacts within your sector?

Gerald Kasimu

Partner and Head of Advisory
KPMG Advisory Services Limited
E: gkasimu@kpmg.co.ke
D: +254 709 576 676

Brian DeSouza

Partner and Head of Consulting
KPMG Advisory Services Limited
E: briandesouza@kpmg.co.ke
D: +254 709 576 132

Nigel Smith

Head of Strategy and Deal Advisory
KPMG Advisory Services Limited
E: nigelsmith2@kpmg.co.ke
D: +254 709 576 608

Questions? Please send an email to info@kpmg.co.ke
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