

White Paper Compact

Supply Chain Management
Corona Focus Room Crisis Management –
If you don't lead closely now, you'll lose.

Whitepaper compact
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Companies cannot manage promptly without crisis management – Our recommendation: Set up Corona focus room crisis management.

The crisis hit us head-on and unprepared

Corona, or Covid-19, has hit companies with full force. This crisis could not be foreseen at the end of 2019. However, this has drastically changed in the first months of this year. First of all, some supply chains, especially from Asia, collapsed.

From February onwards a sales crisis became visible resulting in an overstock of finished products. At the very latest by March a crisis in earnings and solvency has become apparent.

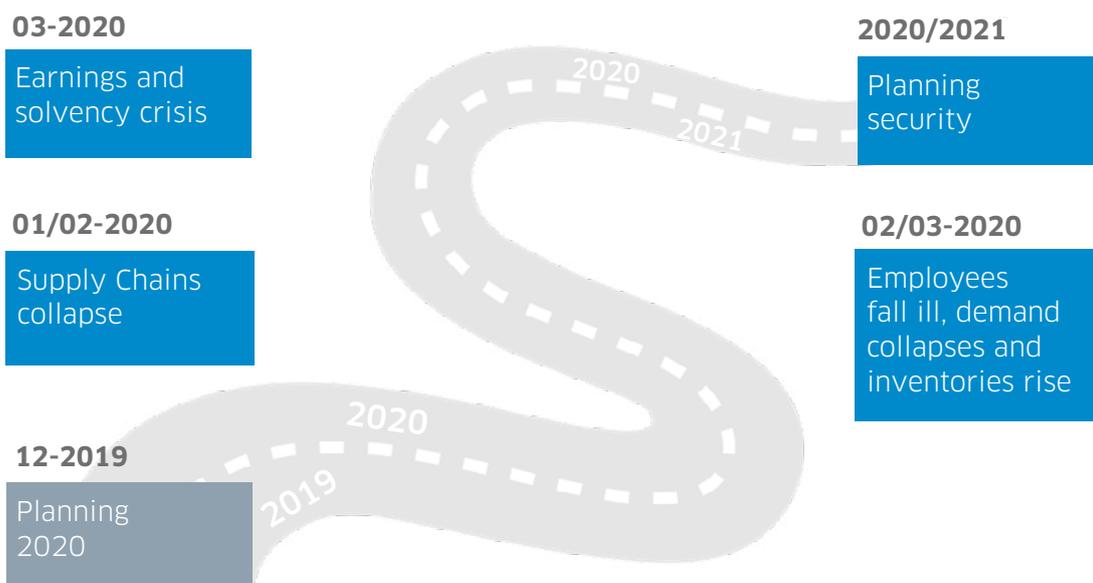
No time to waste – react immediately – „Focus room“

We recommend setting up a so-called „Focus room“ to monitor the developments in virus spread, official decisions and social media and to control the following focus areas on the basis of KPIs: Starting with the resilient customer/sales planning, from which the necessary operations set-up with the necessary employees is derived.

These focus areas all lead to the financial planning. The sequence is consistent, however it should be weighted differently depending on the business model. In any case, a clear and powerful authorization is necessary.

The „Focus room“ coordinates very promptly all measures from the focus areas and the internal (employees/representatives) and external communications (suppliers, customers, financial institutes, and owners) – the management needs daily status reports. Rapid intervention, in the sense of task forces, must be ensured in terms of resources.

The goal is the maintenance of the company value with regard to its finance, operations, and reputation.



Set up Corona focus room crisis management

Focus 1 - Assessing the customer and sales market reliably

In the positive case there is an increase in turnover/sales, especially if the company, for example, is active in medical technology, B2C or FMCG retailing. In many cases, however, a sometimes dramatic decline in sales or incoming orders can be observed.

For this purpose, a resilient planning must be created immediately and adjusted on a daily basis. In any case, the service must be maintained and any increased demand must be met.



Focus 2 - Adapting operations „courageously“

The sales planning is converted into a supply chain planning. In order to fulfill these sales targets the structures of distribution, production, and procurement are replanned - in parallel with the planning of the necessary employees (identification of critical resources) and inventories in the supply chain. The gap between the status quo and the target structure is closed with implementation measures - from staff layoffs to additional temporary staff - from „fire sales“ to targeted inventory build-up. In cases of supply bottlenecks, alternative suppliers are sought and established, respectively faster modes of transport are evaluated.

Focus 3 - Protecting employees - and the company

The health of the employees comes first. All protective measures must be introduced - acceptance of and compliance with safety distances up to disinfection possibilities and workplace disinfection. Home work should always be used whenever possible. Meetings and business trips must be minimized. In addition, the fixed costs of any existing personnel surplus

must be minimized. There are options for this measure: „leasing“ employees to neighbouring companies with personnel needs, introduction of short-time work, voluntary contributions by management, and even dismissals for operational reasons. In all cases, open, individual, and exemplary respectful communication with employees is important in order to be an attractive employer after the crisis again. The perception of a „two-class society“ with employees working on-site in operations and employees working from the home office must be avoided - in this case, a rewarding communication is advisable.

Focus 4 - Setting up a resilient financial planning

Further cost reduction measures, investment stops, extension agreements with suppliers, receivables management will be planned, and the financial planning will be adapted to the changed situation - „best case“ and „worst case“ scenarios must be modelled, the cash flow and the solvency status/requirements (after all the above assessments and measures) must be determined, stress tests must be carried out and, if necessary, covenants must be evaluated. The resulting financing requirements can be covered by existing credit lines, or after consultation with the financial institutes, covenants can be dismissed via Waiver. Tax deferrals should be taken up immediately, KfW loans should be reviewed and, if necessary, also drawn upon. In all cases, close coordination or fulfilment of the information requirements of the financial institutions is necessary and reasonable.

Seizing opportunities - making best of the situation

This crisis can also be an opportunity for companies. It is to be expected that sales channels and consumer behaviour will change strongly. Companies should plan and prepare themselves for the time after Corona/COVID-19. Internally, there are also opportunities such as better cooperation through increased use of the Digitization (home office), the successful testing of new processes, but also team spirit by jointly mastering the crisis. Externally, there are opportunities to acquire market shares or core competencies through M&A/takeovers procedures of companies and thus to go into the future stronger. The view on the time after Corona/COVID-19 is the task of the „Focus room“ and necessary information for the management.

Miebach Consultants - crisis experience

As Miebach Consultants we have been developing and improving supply chains very successfully for more than 47 years. We know the relevant success levers of your supply chain and we are recognized consultants for your topics in good times and in times of crisis. Please contact us if you would like to discuss your current challenges with us.

