

# **POST COVID-19 & LOCKDOWN – TECHNICAL GUIDE ON BUSINESS CONTINUITY PLAN**



*Prepared by*

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**August, 2020**

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### **Introduction**

Covid-19 pandemic has caused devastating effect across mankind; forced entire world to lockdown; brought economic activity to standstill and resulted in majority of businesses to close down.

In India, with the nationwide lockdown since March 25 restricting economic activity and movement of goods & workers, majority of businesses were closed resulting in complete stoppage of production, sales, and dispatches. Though nationwide lockdown was lifted in first week of June, but in some areas, it is still continuing. During this period, there was major loss of production as majority of confirmed orders were cancelled; shipments were held-up in transit or at ports with no takers; fresh orders were completely dried-up; supply chains were severely affected; and labour force was totally lost out. Major loss of business was seen in industries like tourism; air travel; passenger rail & road transport; recreation, culture & entertainment; hotels & restaurants, etc.

Post Covid-19, all business entities are striving hard to restart, survive & sustain, but how? Managers are learning innovative ways of doing business; development & application of new management tools & techniques; changes required in the board-room reporting framework; relook into the risk matrix; and find new ways of sustainability. For all this to happen, first the business must be continued.

### **What is Business Continuity**

Business continuity (BC) refers to maintaining business operations or resuming them post major disruption caused by a natural or manmade disaster, like outbreak of Covid-19 pandemic and imposition of nationwide [or rather global] lockdown.

Business Continuity Plan (BCP) is a framework that outlines the potential impact of disaster, lays down policies to respond, and outlines procedures and steps that the company must follow with minimum risk. BCP involves company's key stakeholders [investors, suppliers, customers, employees] and covers business processes, assets, finances, human resources, and more.

### ***Life Post Covid***

Till date, no vaccines or antiviral drugs have been developed to prevent or treat human coronavirus infections. Hence, humans have to learn to live with this virus. So is the businesses.

Irrespective of the size, scale & mode of ownership, operational structure, country it operates, or the industry/sector it belong to, the businesses have been severely affected by the current disaster caused by Covid-19. To remain alive, competitive & sustainable, every company needs to be watchful. It's vital to retain current business profile including customers, suppliers and trained & loyal manpower.

The company must understand the processes within the business and the impact of the loss of these processes over time. These losses can be financial, legal, reputational or regulatory. Therefore, before learning the principles and steps to prepare Business Continuity Plan, there is first need to understand how the world would look like post Covid & lockdown and what may be kept in front while drawing BCP. These are briefly outlined below.

- Post Covid-19, there will be distinct change in the work culture. 'Work from Home' may become an integral part & would be put to full use. 'Digital Distancing' will be the new business norm.
- People won't travel and take health risks. Countries would be careful in allowing tourists. Business related travel will be more digital. Safety, trust & transparency will drive the future.
- There will be lot of focus on domestic supply chains & trusted supplies in terms of cross border sourcing. Businesses today have no choice but to adapt quickly to market changes and be agile to be sustainable.
- Covid-19 is likely to produce distressed situations, where stakeholders often seek additional resources to help rebuild their confidence. Assess short-term liquidity requirements and find ways to quickly preserve value and address potential risks to stability.
- Conserve cash, ensure sufficient liquidity, go slow on capex plans, review the HR policy & revenue planning, do portfolio restructuring, and prepare & build scenarios for three to six months. Cut costs, reduce salaries, & prune manpower if needed. Remove all flab and be lean.

- Increase equity in the company. Better to be over capitalized than to be over leveraged. Being over leveraged will be a disaster, and avoid the debt trap at all costs.
- Focus only on good costs incurred on areas like digitization, technology, digital marketing, robotic automation, etc and avoid & eliminate fancy offices & facilities, unnecessary spending, excess employee strength, bad performers, and traditional working methods.
- Non-core businesses may be closed and concentrate more only on the core business.
- To ensure long-term sustainability, businesses are advised to build foundation for a greener, safer, and more prosperous future; design policies that benefit company's national and global interests; and build resilience to future shocks, including natural disasters like Covid-19.
- In this crisis, there will be winners and there will be losers. Those who re-orient their strategy will be the winners.

### ***Steps to prepare Business Continuity Plan***

1. First step is to create a cross-functional Rapid Response Team [or taskforce] on pandemic preparedness within the company, involving key managers; mark a 'war room' and give the team all access & accountability for the coordination, planning and execution of BCP.
2. The team should assess potential impact of Covid-19 on business operations and undertake business impact analysis. This process involves performing a gap analysis to assess the company's readiness for continued operations. When conducting this analysis, consider the impact on various stakeholders, especially the customers, suppliers and employees. In fact, there is need to understand their strengths, weaknesses & limitations. The team should make use of the "Conceptual Approach to Board Reporting Framework: A Post Covid-19 Corporate Governance Perspective" issued by the Institute in April, 2020.
3. Next requirement is to build different business models, with best, worst and most-likely scenarios. Staff health & safety with 'People First' motto should be of highest priority. This would require identification of key business areas, critical functions and their inter-dependence. This would also require examining the possibilities of

expansion, diversification, or horizontal/vertical integration. Higher use of digital technology and robotic automation of key operational areas may be considered.

4. For each case, build-up the risk-matrix with extent of probability and impact – list all type of operational, financial, strategic, regulatory and supply chain risks. Also prepare for the Corona risk and the like natural or man-made disasters. Also list out the costs of each option and likely outcomes, benefits & financial paybacks.
5. Establish internal and external communication strategy. The team should periodically & clearly communicate with all stakeholders – investors, customers, suppliers, employees, etc. to assess their strengths, weaknesses & limitations, prevent misinformation, provide support, and protect these intangible assets built over years.
6. Working with the company's advisors and stakeholders, the team should assess the situation, develop a practical plan that optimizes stakeholder positions, and identify the path to maximize available value.
7. Finally, develop an Action Plan that has most-likely business case, minimum risk profile, safe transition during this crisis period with least cost, and high sustainability. Don't go for an easy scenario; always make it credible but challenging. This is the only way to improve. Also, ensure the objectives are measurable and stretching. Doing the minimum and 'getting away with it' would just lead to a weak plan. Ensure full delivery of the turnaround plan.
8. Plan should include short, medium and long-term perspectives, including contingency plan, and KPIs for monitoring. Before putting the plan into action, conduct a table-top or simulation review. Prior to the review, solicit feedback from the staff.
9. This should henceforth be considered as 'new normal'. Communicate essential features of BCP with bankers, investors and employees.
10. Continuously [& periodically] review the Business Continuity Plan in the wake of changes in impact of Covid-19 pandemic or any other similar disaster. The company should update Covid-19 status on regular basis and review the BCP to reflect the rapidly changing situation.

***If a company already has BCP in place, it should make necessary changes by suitably addressing the effects of Covid-19 pandemic within the process.***

### **Covid-19 & Business Risks**

- **Infrastructure risks** – its availability & readiness, on-site sanitation facilities & supplies, systems to support WFH, IT infra services, remote operations, digitization, automation, communication & storage of data/information, etc.
- **Business and Operational risks** – on-site operational plans, government restrictions, emergency measures, core & non-core products & services, product/services diversification plans, disruption in public utilities, costs optimization, and disaster recovery plans.
- **Supply chain risks** – inward & outward supply chain, logistic arrangements, disruptions in imports & exports, transport arrangements, alternate materials & inputs, backup plans for suppliers, customers & agents.
- **Employee risks** – regular health & safety checkups, cleanliness & sanitation, screening & quarantine requirements, mobility & travel restrictions, risk-free travel arrangements, on-site access, split-shift working, WFH arrangements, stress management & motivation, increased family responsibility, emergency backup plan, and hiring, training & skilling arrangements.
- **Financial risks** – loss of revenue/sales, customers & realizations, liquidity problems, changes in cash-to-cash cycle, tightening by banks & lenders, disruptions in cash & treasury operations, non-realization of insurance claims, price volatility of raw materials, inputs, and finished products, high volatility in financial services ecosystem & debt capital markets.
- **Accounting & Audit risks** – recording of all transactions, preparation of cost & financial statements, generation of management reports, conduct of remote audit & certifications
- **Legal, Regulatory & Compliance risks** – non-fulfillment of contractual obligations, compliance with various laws & regulations, filing of reports & returns, sharing of data/information with government authorities and regulatory bodies.
- **Communication risks** – with all stakeholders, investors, directors, managers, customers, suppliers, employees, regulators, authorities, and the public.
- **Cyber risks** – data/information safety & security from cyber attacks, remote access applications.

- **Social & Political risks** – public intolerance & dissatisfaction, street demonstrations, political discourses, uncertainty in public policies, increase in unemployment & criminal activities, and media impact.

### **Business Continuity Chart**

Name of the Company:

Business Profile, Products & Services:

Location of Units:

Past Average Turnover & Number of Employees:

Type of Risk	Nature of Risk	Nature of Impact	Impact Severity	Mitigation Plans	Recovery Period
Infrastructure risks					
Business and Operational risks					
Supply chain risks					
Employee risks					
Financial risks					
Accounting & Audit risks					
Legal, Regulatory & Compliance risks					
Communication risks					
Cyber risks					
Social & Political risks					

**Impact Severity:** **Low** – little or no impact; **Moderate** – impact but alternatives available; **Severe** – total impact with no alternatives

**Recovery Period:** **Short Term** – 3 to 6 months; **Medium Term** – 6 to 12 months; **Long Term** – post 12 months

**Business Continuity KPIs**

It is important to monitor success of implementing the Business Continuity Plan. In a post-Covid scenario, the traditional KPIs are not of high significance or looking at old performance dashboards may sound like waste of time; rather it would be more useful to watch such parameters that help track business performance during or post a disaster. Key focus areas would include retaining customers, getting new customers, making customers happy, keeping the team safe, busy & happy, ensuring positive cash flow, etc. Few KPIs are indicated below:

KPI	2018-19	2019-20		2020-21				2021-22	
		Q1-3	Q4	Q1	Q2	Q3	Q4	H1	H2
<b><u>Traditional KPIs</u></b>									
Capacity Utilization									
Revenue from existing products/ services									
Revenue from new products/ services									
Total Revenue									
Gross Profit Margin									
Net Profit from Operations									
Operational Cash Flow									
Debt Service Coverage Ratio									
Current Ratio									
Current Accounts Receivables									
Inventory Turnover									
<b><u>More Important KPIs</u></b>									
Manufacturing Cycle Time									
Production Yield Rate									
Number of Customers Retained									



KPI	2018-19	2019-20		2020-21				2021-22	
		Q1-3	Q4	Q1	Q2	Q3	Q4	H1	H2
Percentage of Market Share									
First Response Time									
Customer Turnover Rate									
Monthly Website Traffic									
Number of Qualified Leads									
Average Number of Employees									
Number of Covid affected Employees									
Employee Churn Rate									

*Note: KPIs may be modified depending upon the type of organisation & its business profile*