



Article

Overcoming Challenges Posed by the Ongoing Pandemic: Best Practices and Lessons Learned

PART 2 OF OUR COVID-19 RESPONSE AND RECOVERY SERIES

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As the COVID-19 crisis continues to unfold, political and business leaders alike appear to be fumbling in the dark, applying a wide variety of untested measures to limit the damage to their economies, communities and operations. Amid all of this, a paradox is surfacing: the passage of time is negatively impacting revenue in organizations, and yet it allows us to learn, and to enhance mitigation strategies that can help to ensure business continuity and protect people concurrently.

In the previous edition of our COVID-19 Response and Recovery Series, we at DuPont Sustainable Solutions discussed the degree to which companies were prepared to respond to the COVID-19 crisis, and highlighted seven key recommendations for leaders as they start to plan their response and recovery efforts. In this edition, we will share learnings and best practices related to business continuity from past crises, and from those who are beginning to emerge from the crisis, to help organizations recover more effectively.

SEVEN KEY LESSONS HAVE EMERGED

Though much uncertainty remains – be it related to the lack of knowledge about the dynamics of the coronavirus itself, the duration of lockdowns or the global economic outlook – we can refer to the best practices that were developed in China, South Korea and elsewhere, as well as those from past crises to inform how companies can develop effective plans to stay ahead of this ongoing crisis.

#1



YOUR PEOPLE ARE PARAMOUNT

Though financials, outlook and shareholder pressure are all extremely prescient in a moment like this, much damage can be done if leaders do not prioritize the safety and health of their people throughout the response and recovery. For example, while its competitors Nike and UnderArmour announced that they would close their stores in the United States, Canada and Europe, and pay employees for lost shifts, Adidas took a different route: CEO Kasper Rorsted told employees in a leaked internal memo that they must “keep the company going and open for business...closing down is easy, staying open in a healthy environment requires courage, persistence and focus”¹. This decision was reversed the following day². This reactive approach may have a significant effect on employee morale, and also damage the reputation of the brand among consumers.

¹ <https://finance.yahoo.com/news/adidas-is-not-yet-closing-us-stores-amid-coronavirus-214351106.html>
² <https://www.businessinsider.com/adidas-closes-stores-after-reports-ceo-says-otherwise-2020-3?r=US&IR=T>

Conversely, the Chinese company Jingye, who recently bought British Steel, took the proactive measure of sending a private jet filled with medical and protective equipment including face masks, googles, thermometers and medical gloves to employees at their Scunthorpe steelworks site in the UK as well as the local hospital³.

Companies that provide security and clarity to their employees, and demonstrate their commitment to keeping their employees safe will not only benefit from improved employee morale, but also create an environment of trust, and facilitate any future actions related to adaptation of operations or labor flexibility.

Concretely, there are a few actions and considerations that we recommend for companies during this period.

First, companies should seek to keep people on payroll to the highest degree possible. Multiple stop-gap measures have been deployed by governments across the globe, allocating varying degrees of compensation to companies to help cover the cost of employee salaries. However, if adjusting fixed cost is imperative to survival of the business, consider time reductions or furloughs instead of layoffs.

Secondly, if you have a mobile workforce, ensure that you have a monitoring mechanism for tracking employees, and that measures are in place to protect them that correspond with the risks they face and local regulations. Ensure that they are equipped with proper Personal Protection Equipment (PPE).

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#2



KNOW THE RISKS YOU FACE AND HOW TO MITIGATE THEM

Given the continued uncertainty inherent to this pandemic, companies must conduct new risk assessments as the outbreak evolves; the human, financial, technological and operational implications of a short-term financial impact, a global economic slowdown and sustained global recession must be considered.

The core objective is to identify existing threats and risks that the company is exposed to, and recommend mitigation controls. This starts by determining which critical assets must be protected, and how certain threats can impact these assets. From there, companies should review the specific mitigation strategies that correspond with the threat, and whether the focus should be on prevention, detection or limiting loss. Where controls are inadequate, companies should consider more concrete means of managing the risks, such as physical or logical protection, changes to procedures or optimization of the supply chain. This process should be replicated at a corporate and site level.

Normally, risk assessments focus on the probability of an incident, but in this case, it is important to focus on vulnerabilities instead. Reviewing the vulnerabilities, what would happen if they manifest and the potential control measures that could be put into place must be gamed out. Should new control measures be adopted, they must be codified in company policy, integrated into procedures and communicated to employees.

³ <https://www.theguardian.com/business/2020/mar/24/chinese-company-sends-aid-package-to-british-steel-in-scunthorpe>

For example, Laird Performance Materials, a global company making protective components for high-tech products, took swift action to protect their people and their business as the coronavirus loomed⁴. After closing their plants for Chinese New Year, they were able to bring back 98% of their workforce after 1 month of shutdown, with no employees infected. Customer orders were on time, and the company was even able to increase capacity to meet higher levels of demand⁵. The head of the company's task force on COVID-19 credited their strong focus on risk assessments as a key success factor for effectively protecting employees and their operations⁶.

#3



BE AGILE AND ADAPT

Companies that have been able to quickly adapt to shifts in demand have seen success. For example, Hydrogen Craft Corporation, a manufacturer of drones used to monitor illegal fishing and pollution, initially planned to retrofit their product to spray disinfectant to clear public spaces of the virus⁷. However, they quickly shifted to producing carts that use ultraviolet C light to achieve the same result, but in a more practical manner. The owner of the company now expects to generate Rmb8 million (USD 1.1 million) of revenue from the product, which will help the company to weather the crisis⁸.



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We therefore recommend that companies rethink how they approach the market, seeking new and novel ways to utilize their production base to meet current demand. The businesses succeeding in this moment are those that have been able to create products or services in combat the pandemic, or supply the public in a new context. Those companies who cannot manage this will likely fail. For example, Woolworth's, a grocery and retail company in Australia, began to package essential groceries into one box and thereby shift the work from mobbed stores to the warehouse⁹. They then partnered with DHL and Australia Post to ship the packages, instead of using their own overwhelmed fleet. This initiative is targeted towards older or more vulnerable customers¹⁰, reducing their risk of exposure and concurrently ensuring ongoing revenue from this demographic.

On a related note, while the first reaction of leaders is to manage their teams in a top-down manner, there is much potential in facilitating a bottom-up approach to innovation and change. Creating the context for collaboration across functions, learning from successes and failures within the company and among competitors, a decentralized approach to adaptation of existing product lines and enabling a "fail fast, learn quickly" approach can create the requisite adaptability that will drive success.

⁴ <https://www.ehstoday.com/health/article/21126331/chinese-plant-back-in-action-following-covid19-outbreak>

⁵ IBID

⁶ IBID

⁷ <https://www.ft.com/content/db48ceac-2b69-4ba7-8a48-9f1573f615f5>

⁸ IBID

⁹ <https://insidemcg.com.au/2020/04/22/innovations-in-retail-sparked-by-the-covid-19-pandemic/>

¹⁰ <https://www.canberratimes.com.au/story/6702710/australia-post-to-work-alongside-woolworths-for-grocery-deliveries/>

#4



LEVERAGE CHANGE MANAGEMENT TO DRIVE ADAPTATION OF WORKING CULTURE

Companies that have been able to effectively adapt their corporate strategies, while focusing on the tactical means of implementing such change, have been able to achieve the level of agility necessary to survive. For example, SD Biosensor, a company in South Korea that produces immunological and molecular diagnostics, began developing tests for the COVID-19 virus in January, soon after the virus emerged. The company worked with the South Korean government to quickly obtain an emergency authorization for their product, succeeding after only two weeks¹¹. After this, they focused on how to guarantee quality and protect their employees. Top management developed a quality standard and specific, measurable objectives with defined targets that were consistent with the standard¹². The organizational structure was defined, as were designated authorities and reporting lines. Production environments consistent with the standard were established, and visual instruction was given to employees on the type of PPE and how it was to be worn¹³.

We thus recommend that companies focus on the change management principles to mobilize employees to deliver upon the new strategic



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direction of the company. Create a compelling corporate vision, develop the appropriate structure and policies to deliver the change, and communicate the change and why it is necessary.

For larger companies, this may mean that some locations or product lines be managed differentially. Some countries or business lines may need to focus on shifting their sales channels or diversifying their supply chains, while others may ramp up production or adapt existing production lines to deliver a new product. The approach should be calibrated to the opportunity, local regulations, supply chains and available resources.

#5



CALIBRATE AND RECALIBRATE

This crisis is impacting some sectors and geographies far more than others, influenced by the degree of criticality of the product/service, level of restriction imposed by the government and how supply chains have been impacted, among other factors. In some cases, the impact has compounded underlying weaknesses in the market, virtually guaranteeing an extremely long recovery time. With such variation, it is important for companies to do a full assessment into how they can best calibrate their production and sales approach to account for such nuances.

For example, Keytone Dairy, a New Zealand dairy company, experienced significant growth by tailoring their offering for the Chinese

¹¹ https://www.who.int/diagnostics_laboratory/evaluations/WHOPIR_SDBiosensor-08-10April2019.pdf?ua=1

¹² IBID

¹³ IBID

market during this crisis. In a letter to investors dated late February, the company explained that they had received much “in-bound interest in immunity style nutritional based products for Chinese markets” – higher value proprietary products. They assigned a product development team to roll-out new product lines as a matter of priority. One month later, boosted by additional capacity of a new facility coming online, the company started receiving record orders. Walmart (China) and Nouriz – major retailers in China – increased their orders by a magnitude of 2.4 times and 7 times respectively in just one month. In a letter to investors in early April, the CEO highlighted that orders received within 24 hours was 210% greater than the audited results of FY2019. Some of this success can be directly attributed to their ability to calibrate their production and sales approach to growing demand for specific products in China.

#6



REIMAGINE THE FUTURE

The impact of this pandemic will reverberate within the social and economic fabric of societies across the world for some time to come. In Hubei province, while restrictions are being lifted, normalcy is proving elusive¹⁴. Overseas demand for exports is diminished, businesses are short on cash and unused equipment must undergo maintenance before resuming operation. Some sectors came to a complete halt, such as real estate – no residential deal was made in Wuhan city in the month of February – affecting all businesses further down the value chain as well. To add to this, some cities are being affected multiple

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times, with Singapore on its second round of restrictions, and Hong Kong on its third.

Despite this gloomy outlook, the old adage “there is opportunity in crisis” is proving true for some, as it did for Alibaba and online shopping in China after the SARS outbreak in 2003. Logistics companies like Amazon, tech companies like Netflix and Citrix Systems, pharmaceutical companies like Gilead Sciences and Vertex Pharmaceuticals, grocery/consumer goods companies like Walmart and even gold mining company Newmont are all performing very well on the New York Stock Exchange¹⁵. While certainly these companies are providing goods and services that in much demand during this crisis, they are also consistently innovating and evolving, allowing them to maximize profitability and stay relevant. Walmart, for example, introduced the Walmart Grocery App – on 5 April 2020, it surged to become the number one shopping app in the US, surpassing Amazon by 20%¹⁶. Citrix has been introducing a subscription model over the past year, providing more predictable cash flow and up-sell revenue¹⁷. Online shopping and all auxiliary companies will likely experience a boom.

For those companies outside of the “essential services” sphere, innovation is proving to be the best means of generating value. The focus for innovation seems to be concentrated in four spheres: pandemic response, quarantine living, post-pandemic life and reinventing hard-hit industries. Yet digitalization seems to be the common thread as well.

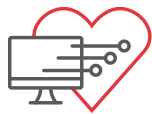
¹⁴ Sources: <https://www.nytimes.com/2020/04/07/world/asia/wuhan-coronavirus.html>; <https://www.ft.com/content/6542ac87-9498-447a-9af2-9d77f7057098>;

¹⁵ <https://www.barrons.com/articles/12-winning-stocks-beating-market-5158652549>

¹⁶ <https://techcrunch.com/2020/04/09/walmart-grocery-app-sees-record-downloads-amid-covid-19-surpasses-amazon-by-20/>

¹⁷ <https://www.fool.com/investing/2020/04/08/citrix-systems-inc-nasdaqqsctxs-10.aspx>

#7



Digitalization can help companies to meet clients where they are and realize significant efficiencies if done correctly.

DIGITAL IS IMPERATIVE

This pandemic is accelerating all things digital. For example, Lianfei Technology launched China's first blockchain epidemic monitoring platform, which has been tracking the progress of COVID-19 in all provinces in real time, and storing relevant epidemic data on the chain so that the data can be traced while remaining protected from tampering¹⁸. Telemedicine, which had previously been derided as ineffective, is now booming, and working well in many cases.

Companies outside the health sector can take a cue as well: now is the perfect time to digitalize the customer experience if you have not already. The first, and most important step, is to show that you care – be authentic.

Ensure that all of your digital outreach is aligned with your purpose and core values, not simply a barrage of marketing emails. Beyond this, the customer journey should be streamlined to the degree possible, with all necessary information available to make a purchasing decision. Other possibilities include improving the mobile experience, consider offering digital services, or, for B2C companies, upgrading subscription models or home delivery options. Engaging with customers on social media can also build trust, and insights gained through E-listening can be leveraged by the marketing and sales teams.

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CONCLUSION

While uncertainty and dire projections of a deep global recession continue to haunt executives the world over, the most productive use of this time is to concentrate on what can be controlled. A focus on protecting employees and controlling risks will minimize disruption, providing the space to adapt and evolve.

Now is the time for companies to be disruptive and embrace new thinking, and new ways of working. The examples detailed in this paper show that by focusing on adaptability and agility, risk management and mitigation, innovation and digitalization, companies can not only survive, but they can protect their workers and, ultimately, the economy. It is truly adapt or die.

¹⁸ <https://www.weforum.org/agenda/2020/04/how-next-generation-information-technologies-tackled-covid-19-in-china/>

About DuPont Sustainable Solutions

DuPont Sustainable Solutions (DSS) is a leading provider of operations management consulting services that enable organizations to protect their employees and assets, realize operational efficiencies, innovate more rapidly and build workforce capability. By leveraging its DuPont heritage, deep industry and business process expertise and diverse team of expert consultants, DSS helps clients turn operations management into a competitive advantage.

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