

# COVID-19: Which critical choices should businesses make next? (3)



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“Flexibility has always been a business advantage but it will now be critical to survival” says Julie Teigland, EY EMEIA Area Managing Partner. “Flexible employment contracts, owning versus buying-in, diversifying site portfolio risk, making supply chains agile through shared resource models, ensuring sustainable working capital needs – these are all critical to coping with sudden fluctuations in supply and demand.”

Businesses will need to adapt their operations to enable re-opening and commercial viability. Companies should repair the value chain, near-shoring where applicable; reduce portfolio complexity and optimize functions. The pandemic has exposed weaknesses in the architecture of many business operations: while lean and efficient, they were inflexible and difficult to adapt to a rapidly changing environment.

Organizations need to design resilience for a period of recovery with recurring disruptions, not just business as usual. They need to look at lowering the cost base, increase workforce flexibility and reduce risk across the operation.

To be in the best position to take advantage of whatever the saw recovery may offer, the business needs to have the right people in place, financial firepower and the ability to move quickly.

## 1. Create a flexible workforce

Companies need to create a more flexible workforce, looking at adaptable contracts, contingent workers, and exploring the efficiencies of remote working with the potential impact on real estate needs.

They need, too, to look at how and when to onboard furloughed staff; how to engage the workforce in the transition to a new normal; how to attract people with the right skills for what comes next.

Innovative responses to the crisis itself can provide a blueprint for building flexibility into employment. Some big-brand US grocers and pharmacies, responding to a surge in demand for shelf-stackers and delivery personnel, have instituted novel collaborative arrangements with companies in some of the hardest-hit sectors (e.g. hospitality, restaurants and retail) to

meet these needs. Some companies are cooperating directly to funnel applications to where there are job openings, while others are creating exchanges to connect labor supply and demand.

Companies need to be open and transparent in their communications with their employees, engaging them in the rebound while also recognizing there are likely to be ongoing restrictions in mobility and physical distance that will have to be factored into any return to workplaces.

Videoconferencing has become the standard for business meetings, and this and other work efficiency technologies may provide longer-term options for remote and flexible working, while strengthening cyber security protocols and controls to reduce risk is paramount.

## 2. Plan for an agile supply network

Linear, global supply chains need to be stress-tested against geopolitical risks, with vulnerabilities minimized. By looking at shared, less distant resources, some onshoring of business-critical activities and the creation of an agile value network, companies can restart production, while mitigating risk of disruptions.

Demand planning and generation modelling needs to be an iterative process that is integrated across the whole business, not conducted in isolation in different functions, each using a different set of variables. As a choppy return to growth creates rapid fluctuations in demand patterns, so supply planning needs to be flexible and responsive.

Shelter-in-place orders and widescale business closures are significantly changing energy usage patterns – producing steep declines in some places and surges in others. Utilities companies in several countries are using artificial intelligence and machine learning to understand these changes and to forecast new consumption loads. This helps reduce costs and improves reliability of delivery.

## 3. Expect a new kind of customer

Companies need to increase digital customer access and ensure data analytics are optimized across data sources. Incompatible legacy systems that don't talk to each other will be costly weaknesses that the resilient organization can ill afford. Analyzing customer behavior will provide opportunities for rethinking product and service portfolios in the medium term while throwing up short-term chances.

An app-based ride-hailing company has responded to changing consumer needs and preferences not only by pivoting to deliver groceries to people sheltering at home in Brazil, France, and Spain, but also by offering phone-based services to customers who may not be comfortable using apps.

In other instances, organizations are opening new channels to interact with customers affected by lockdowns. A major Indian bank, for example, launched a suite of basic services through a secure messaging app, while a Nigerian bank has introduced a new self-service banking feature through its online platform and an interactive voice response system.

These kinds of initiatives, launched in the heat of the crisis, can help companies succeed through the next phase of choppy and sluggish growth.

A significant result from the EY Future Consumer Index, published in April 2020, found that 62% of respondents are more likely to purchase from companies doing good for society. Building close relationships with customers by open and frequent communication as well as building a positive reputation through the right actions during the pandemic are winning strategies for what comes next.

## 4. Develop sustainable finance

Financial resilience will flow from lowering the cost base over the longer term, increasing liquidity in the short term and using virtual scenario planning to cope with downturns and upturns in the medium term. Financial and risk teams should continue to work together on developing plans, on communicating forecasts, however difficult, to both internal and external audit teams as well as investors.

As government support measures taper off, companies should monitor capital needs conservatively as the uncertain environment continues. As the state's role has expanded to provide emergency relief through the worst of the crisis, governments are expected to continue to look at stimuli to help reboot the economy during the next phase and we will see a new collaboration between industry, regulators, lenders and government to revive the economy.

## Conclusion

As organizations transition to this new phase, they must also consider what is to come beyond, as crises of this scale are sure to reshape the competitive landscape. The world on the other side of the crisis may look very different, with different norms, rules, competitors and value propositions. For companies to remain relevant in this new world, they will need to engage with multiple stakeholders to re-frame their future, build long term value and a new value-based economy.

## Summary

The next phase is likely to be defined by a saw-toothed economic recovery and long-lasting changes to how we live and work. Transitioning to what comes next will place heavy demands on companies' ability to adapt and increase resilience to weather after-shocks. They must also consider what is to come beyond. ■

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