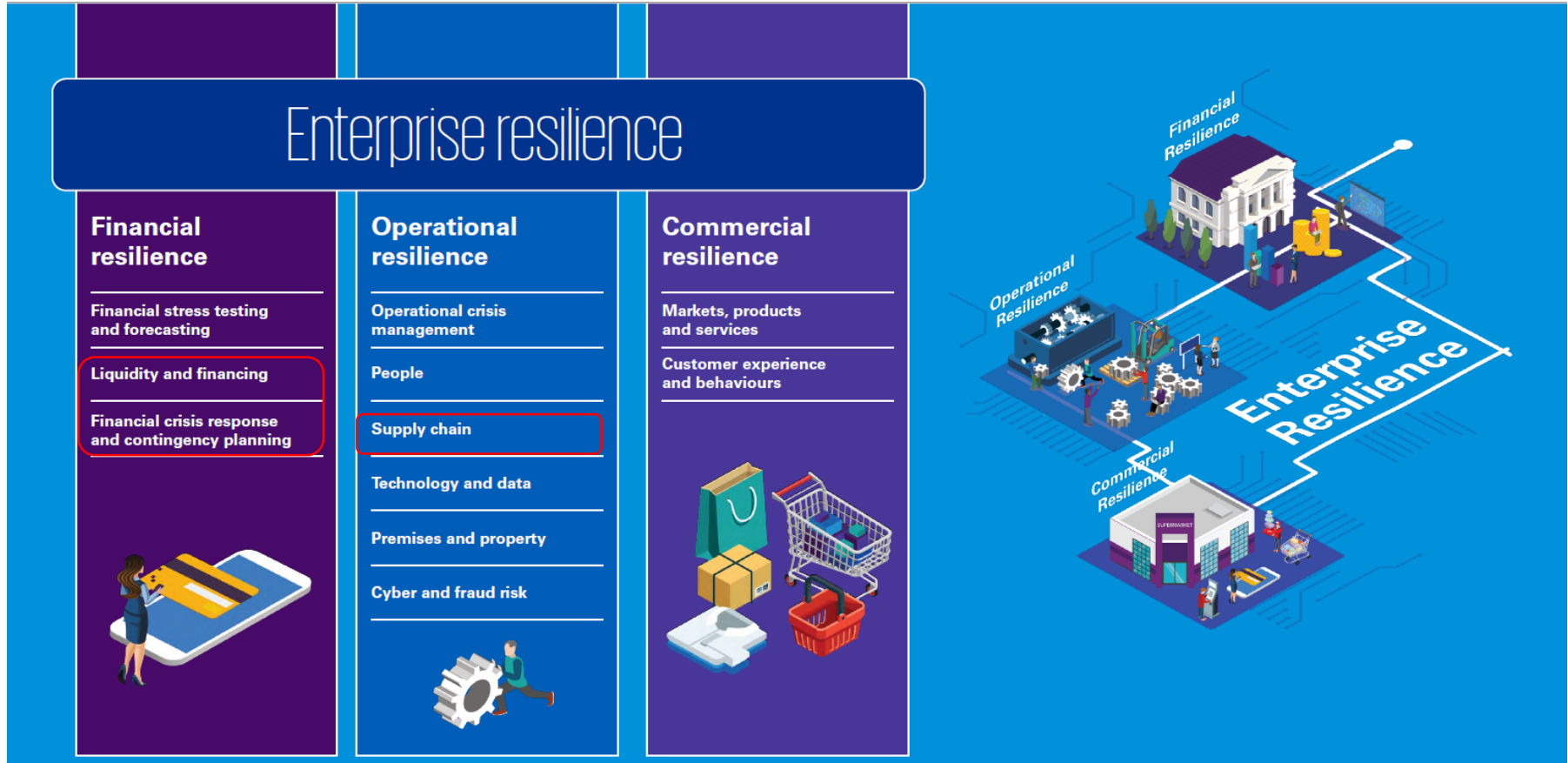
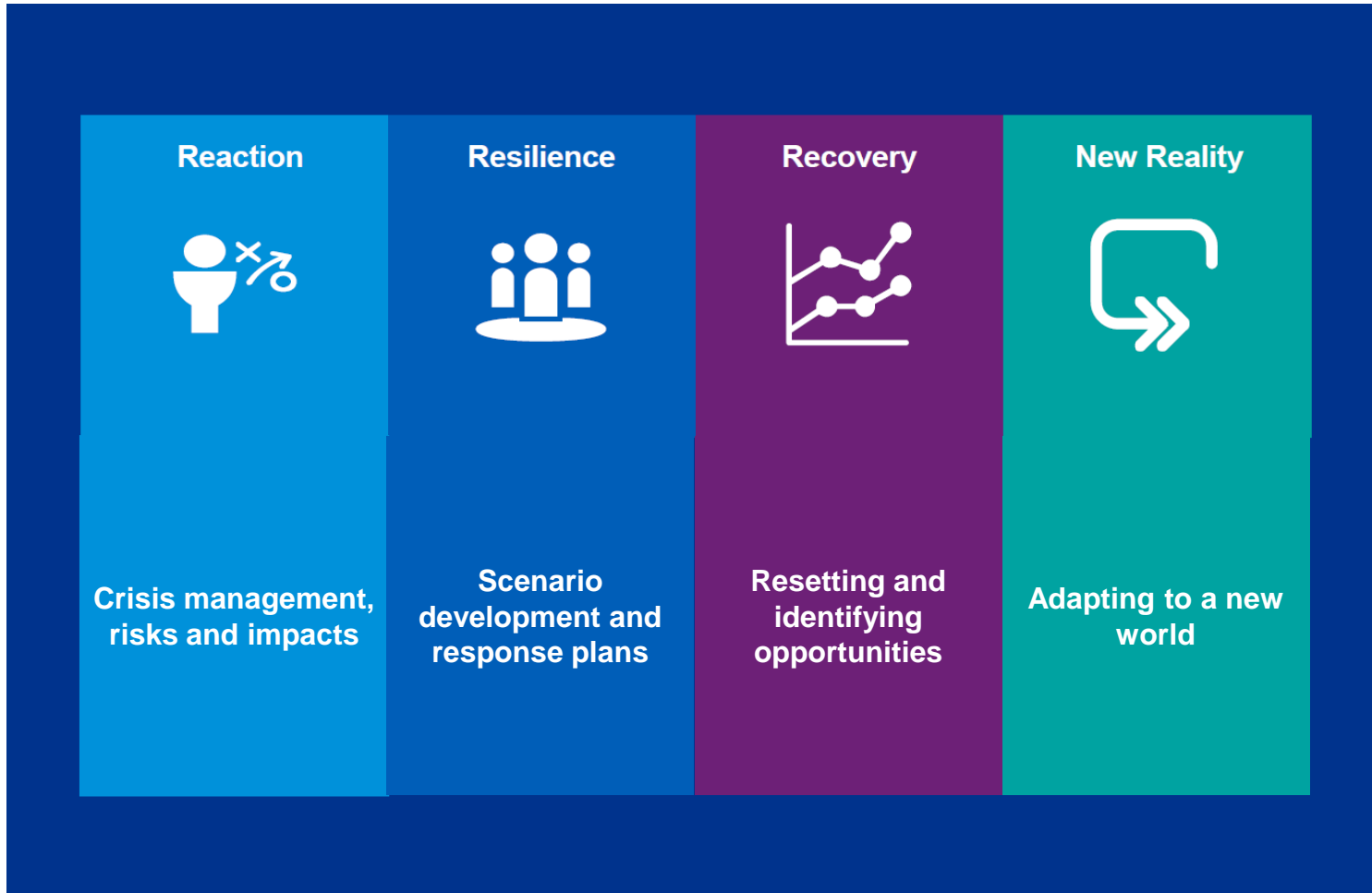


# Enterprise resilience framework



# Four stages to navigating through COVID-19



# Operational resilience – supply chain

Operational Crisis Management

People

Supply chain

Technology and data

Premises and property

Cyber and fraud risk

## Short term: Reaction

- Set up COVID command centre – separate from BAU
- Map your supply chain - tier 2+, including logistics flows
- Carry out supply chain risk assessment
- Rapidly assess inventory and purchase order coverage
- Identify contingency options – alternative suppliers, manufacturing facilities or logistics routes, build buffers
- Identify key components and raw materials with highest impact on revenue and margin
- Understand contracts with critical suppliers – liabilities, contingency, trade terms, demurrage, duty implications
- Communicate with critical suppliers and understand their resilience plans and ability to fulfil order book
- Set up clear governance structure to rapidly take decisions and prioritise demand where supply is constrained



Short term



Medium term



Long term



How KPMG is helping?

Contacts



# Operational resilience – supply chain

Operational Crisis Management

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## Medium term: Resilience

- Migrate COVID command centre from crisis management to monitoring performance, planning and reacting to change
- Scenario modelling – supply and demand predictions, potential responses, impact on customers, business performance, cash flow, working capital and inventory.
- Work with critical suppliers to contractually agree increased buffer inventory - raw materials, WIP, FG and location.
- Establish integrated business planning processes to ensure synchronisation across all business functions
- Include key suppliers in planning processes, increase trust and transparency, improve collaboration



Short term



Medium term



Long term



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# Operational resilience – supply chain

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## Long term: Recovery to New reality

- Establish real-time supplier data to help manage performance
- Improve ability to model and predict consumer behaviour, especially in times of uncertainty and disruption.
- Determine changes in customer behaviours and customer experience and potential impact on operations
- Understand the new market demands – product portfolio, channels, markets, geographies
- Identify new opportunities arising from the new normal – both top line growth and supply chain optimisation opportunities
- Re-assess supply chain risk appetite along with sourcing strategies - cost / lead-time, make / buy, near-shore / far-shore, single / multi sourcing
- Supply chain optimisation / right-size operations for new future
- Design to futureproof - ethical supply chain considerations



Short term



Medium term



Long term



How KPMG is helping?

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# Financial Resilience - Liquidity and Forecasting

## Reaction & Resilience

### Short term

- Cash preservation focus
- Draw down all existing funding lines to maximise available cash.
- Set up robust 13 week short term cash flow forecasts reviewing weekly against prior forecast and outturn
- Identify rapid, achievable ways to preserve cash
- Avail of the various Government supports, e.g. JRS schemes, Business Rates Relief, Grants, various Tax support offered by HMRC and Statutory Sick Pay cover
- Early engagement with other significant 3rd party creditors – landlords etc
- Refresh forecasts incorporating all these factors – what is cash burn?
- Engage lenders early both on loan schemes supported by the Government, and in connection with wider support.

### Medium term

- Embed cash-focused culture across the business
- Introduce the 13-week cash forecast into management information packs, with analysis of variance against prior forecasts
- Forecast the p&l and cash flow effect of hibernating then re-awakening parts or all of your business with scenario's
- Develop funding strategy to support the business with flexibility to trade through and out of the COVID-19 crisis
- Engage with lenders or alternative funding providers to maximise total available headroom, if required
- Work with suppliers to understand their funding pressures and how they may impact your operations

## Recovery & New Reality

### Long term

- Assess the potential impact of short-term disruption on longer-term financial behaviour by customers and suppliers
- Consider ways to optimise funding arrangements for a less certain future with a new capital structure
- Consider if there are other funding options that might supplement current facilities – working capital, asset finance, alternative debt & mezzanine, equity options etc
- Put in place long term financing strategy to support a return to normalised trading conditions in the New Reality, including investment and growth

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## COVID-19 Resource Centre

<https://home.kpmg/uk/en/home/insights/2020/04/responding-to-covid-19/covid-19-resources.html>

## COVID-19 Enterprise resilience – response assessment tool

<https://kpmgcovid19response.co.uk>