



## **Managing chaos under the **new reality****

Recommendations to address the main challenges and concerns of companies in Latin America in response to the crisis

**Beware** of unexpected  
**situations.** They  
sometimes enclose  
**great opportunities.**

*Joseph Pulitzer*





The recent and surprising outbreak of **COVID-19** has impacted families, communities and businesses around the world.

Since the emergency began, **Best Managed Companies** has sought to reaffirm its commitment to support the **business community**, developing various actions that contribute to the recovery of participating companies and add value to the network.

In Best Managed Companies we believe that this crisis will generate **innovations and opportunities** for the companies, so we are convinced that we will emerge stronger.

We appreciate the commitment to the program and are confident that **together we're better**.

A handwritten signature in black ink that reads "Pilar Ruiz de Chavez". The signature is fluid and cursive.

**Director of Latin America Best Managed Companies**



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## Introduction

The arrival of the new reality creates uncertainty for all of us who witness the chaos that the COVID-19 outbreak has represented globally. Companies continuously raise questions and concerns about how to address new challenges, capitalize opportunities, and adapt quickly to constant changes.

Flexibility, innovation and resilience are just a few features that will allow companies to deal better with this crisis. Also, planning and preparing for the new reality is essential for achieving sustainability.

Regarding this, it's important to stay informed: identify industry trends and competition behavior, understand and know the market again, recognize the needs of your suppliers, collaborators and the community where the company operates.

Best Managed Companies, in addition to recognizing organizations with a high level of performance in business management, seeks to support the mid-business sector and boost its continuity and growth. That is why we have conducted a series of surveys in different countries to identify their main concerns and challenges.

With the findings of this exercise, we have also generated some recommendations that hopefully will contribute to the planning and decision-making processes of participating companies, generate greater certainty and provide tools that allow them to design their own reality.

## Sample analysis



**373**

companies



**10**

countries



**4**

sectors



Mexico

**29%**



Colombia

**24%**



Argentina

**24%**



Central America

**23%**

Services



**48%**

Commerce



**24%**

Manufacture



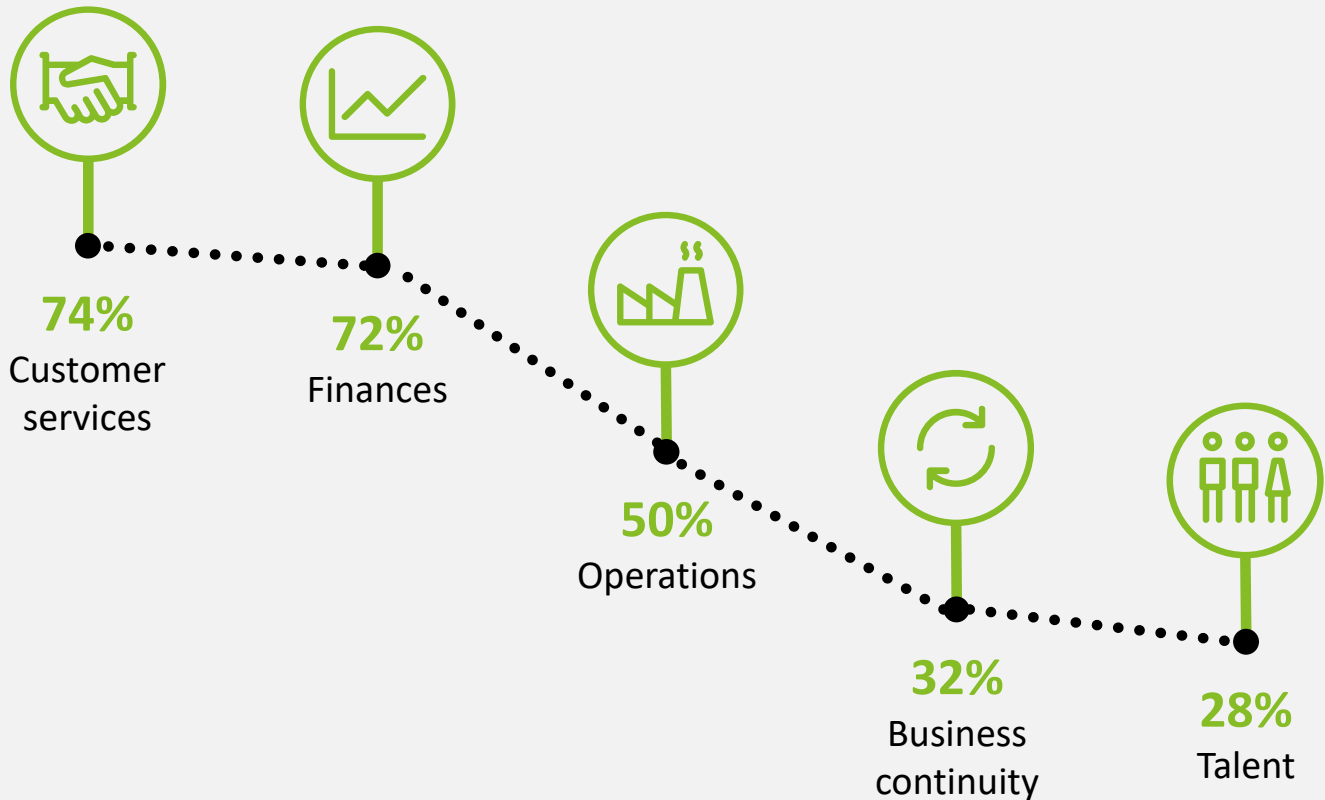
**23%**

Construction



**5%**

# Concerns and needs



## Customer Services

Attention, retention, order cancellations, delivery delays, communication, sales affectation, pricing, change in customer priorities.



## Finances

Liquidity, financial planning, payment prioritization, accounts receivable tracking, expense control, bank loans, on-going investments.



## Operations

Alignment with suppliers, customers and strategic partners, competition, production and logistics.



## Business continuity

Corporate Governance, strategic goals and indicators, partners and investors alignment, crisis management.



## Talent

Retention, communications, health and safety, remuneration, staff reduction, home office.

# Customer Services



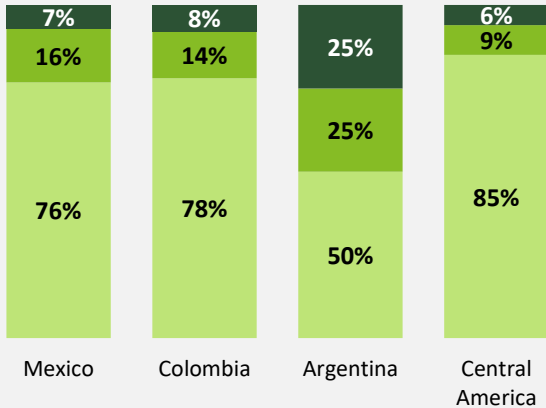


# Customer Services



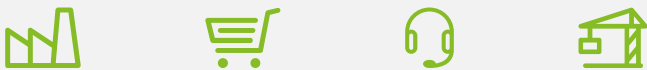
Due to the **pandemic**, **73%** of the companies sampled, reported a **decrement in their income.**

## Income



↑ Increased
▬ Remained
↓ Decreased

Impact by sector



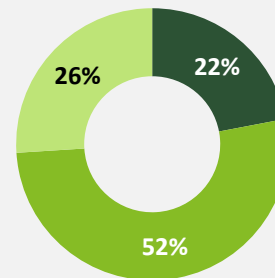
## Prices



Sector with the highest average prices **increase**



Sector with the highest average prices **decrease**



↑ Increased  
▬ Remained  
↓ Decreased

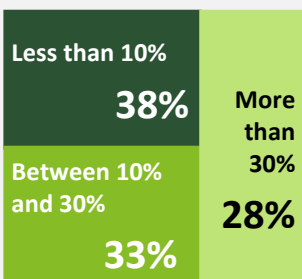
In general, the behavior of **average prices** was similar in all four regions. However **Argentina** shows **less impact.**

## Commerce

**40%**

increased its online sales

**e-Commerce** still represents a **challenge** in Latin America. In the region, **Colombia** showed the highest **growth.**



**46%** closed some sale points during the contingency



Sector with the highest digital channel **growth**

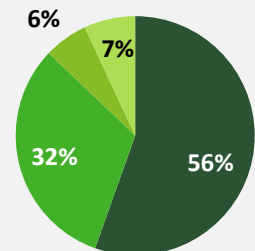
## Innovation

**61%**

introduced **new products or services** to their portfolio



Companies in the **Service** sector stand out for **adjusting their offer**



- 1st Mexico
- 2nd Argentina
- 3rd Central America
- 4th Colombia

- 1 or 2 products/services
- 2 to 5 products/services
- 5 to 10 products/services
- More than 10 products/services

# Customer Services: recommendations

- 1 **Re-know customers** and market to adapt products and services; review differentiated attention systems for **key customers**
- 2 Forecast the **changing habits** in every way (e.g. remote work, interest in health, decreasing physical contact, etc.)
- 3 Increase company's capabilities in relation to **digital commerce** and the use of technological platforms that boost **self-service**
- 4 Revalue **physical sale points** (personnel, spaces, schedules, deliveries, protocols) to mitigate risks; define **disinvestment** where applicable
- 5 Establish **price optimization models**, considering supply, demand elasticity, competition, etc.
- 6 Consider **strategic alliances** with suppliers, distributors and/or competitors to strengthen offering to clients
- 7 Strengthen **feedback** mechanisms and thereby identify opportunities for improvement
- 8 Differentiate through **loyalty and reward** schemes, as well as personalized **attention** (even without physical contact); favor **flexibility**
- 9 Define key messages and expand the **communication**, repositioning the company and generating confidence in **safety and hygiene measures**
- 10 Consider that **social and environmental aspects** will have a greater impact in the client's preferences

# Finances





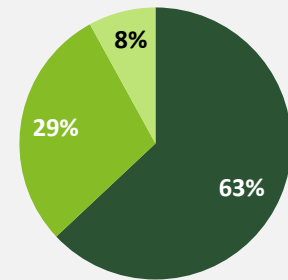
Overall, **costs and expenses** remained the same; expenses in **marketing and investments in machinery, equipment and technology** achieved reductions.

## Costs and expenses



Raw material	=	=	=	=
Selling expenses	↓	=	=	=
Marketing and advertising	↓	↓	=	↓
Payroll and/or labor	=	=	=	↓
Logistics and distribution	=	=	=	=
Services	↓	↓	=	=
Machinery, equipment and technology	↓	↓	↓	↓
Interest and financial expenses	=	=	=	=

**63%\*** estimate savings for less than 10% regarding costs and expenses derived from the **remote work**.



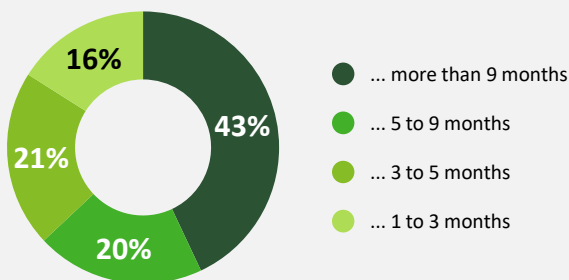
- Less than 10%
- Between 10% and 20%
- More than 20%



Sectors with higher estimated **savings**

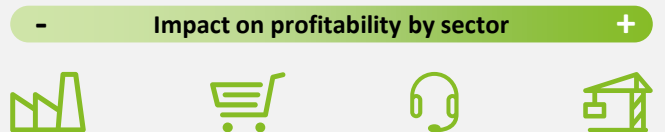
\*Mexico not included

With current **cash flow**, companies forecast their operations for...



**Argentina** presents **better position** than the rest of the regions in terms of **cash flow**, while **Colombia** shows the **most negative impact**.

**Central America** is the region with the **greatest negative impact** on **profitability**.



**51%**

maintained the **level of debt**



**63%**

have **NO credit restructuring**

## Finances: recommendations

- 1 Prioritize the **cash management** and develop **flow projections** for the next quarter; consider cash reserves in case of new outbreaks
- 2 Establish the **cash conversion cycle** as a key indicator. Track portfolio, optimize inventories and improve payment deadlines
- 3 Identify **cost and expense reductions** that do not affect operation and/or future growth
- 4 Identify **fixed expenses** that could become **variables** (e.g. manufacturing by contract), that favor the flow in the medium term
- 5 **Automate** the generation of **financial reports** and accounting closures to speed up the decision making
- 6 Ensure the availability of **credit lines** granted, diversifying sources of funding and restructuring those not necessary
- 7 Evaluate **financial instruments** that mitigate risks (e.g. exchange rate, rising commodity prices, etc.)
- 8 Make **investments** (OPEX and CAPEX) planned or underway; they may need to be adjusted to the **new reality**
- 9 Establish **tax planning** and take advantage of the **stimulus** applicable to each locality. If any, prioritize the recovery of positive balance
- 10 Identify **risks** related to the implemented **tax strategies**; review policies and procedures to avoid **not deductible expenses**

# Operation and business continuity



# Operation



There is a general **increase** in the **accounts receivable**. The region with the **biggest impact** in its **working capital** is **Central America**.

Working capital	Mexico	Central America	South America	Caribbean
Accounts receivable	↑	↑	↑	↑
Uncollectible accounts	=	=	=	↑
Accounts payable	=	=	=	↑
Inventory	=	=	=	↑



Sector with the lower **impact** in the **accounts receivable**



Sectors with the lower **impact** in the **accounts payable**

# Business continuity



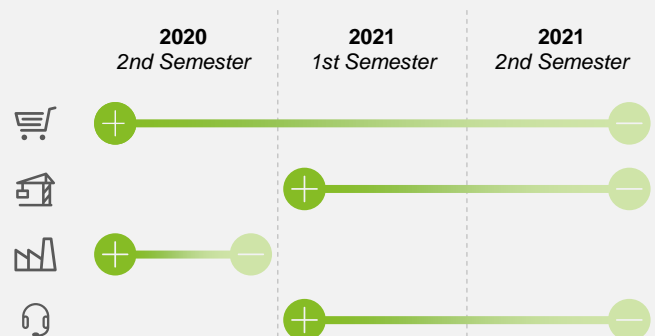
The estimated **recovery time** by the companies is **6 to 12 months**; **Central America** considers a period up to **24 months**.

The **essential activities** present fewer impacts, including the **insurance** and **technology** companies.



**Note:** The impact considers sales and profitability behavior, in addition to cash flow and estimated recovery

## Estimated recovery in new post-COVID-19 scenario



The **Manufacture** sector has the shortest estimated recovery time.

## Operation: recommendations

- 1 Develop new demand estimates based on a **collaborative planning** with customers, expanding communication with them and between areas
- 2 Identify potential chain outages by evaluating **financial risks**; consider **diversifying** your suppliers, mitigating dependencies
- 3 Implement practices that contribute to the business continuity across the value chain (e.g. down payments to critical suppliers, legal contracts reviews, etc.)
- 4 Focus the organization towards **Lean management** (reduction of all kinds of waste), improving the cost and expense structure
- 5 Consider redesigning the **layout** of plants and offices, complying with sanitary measures and optimizing spaces (e.g. decrease physical contact)
- 6 Redefine **inventory policies** according to new consumption patterns; invest in **tools** that allow their visibility in real time
- 7 Incorporate **staggered operating mechanisms** to prevent outbreaks, considering risk factors; identify **replacements** for key staff
- 8 Encourage **technological inclusion** in all business processes and train employees properly during implementation
- 9 Resume **pending projects** (e.g. investments, hires, developments, etc.) and assess their post-pandemic **viability**
- 10 Consider **divestment** in **unprofitable** lines of business during the new reality, freeing up working capital



# Business Continuity: recommendations

- 1 Generate **timely and relevant information** and give **certainty** to partners, members of the Board and other **stakeholders**
- 2 Strengthen members of the Corporate Governance, including **external advisors**
- 3 Revalue the **objectives** and **strategic goals**, adjusting projections and budgets; Identify required resources for their achievement
- 4 Refine **key performance indicators** and seek for its automatic generation through technological tools
- 5 Define **scenarios and recovery plans** considering **learned lessons** during the contingency
- 6 Identify business **risks**, restore priorities and actions for their mitigation. Update business continuity plans, including a DRP
- 7 Consider incorporating a **COVID Officer**, who establishes mechanisms and channels to track incidents
- 8 Review **infrastructure** to guarantee in-person and virtual operations. Strengthen **information security** mechanisms
- 9 Strengthen **leadership** soft skills to generate **confidence** in the organization, favoring the implementation of required changes
- 10 Adjust the **social responsibility and sustainability plan**, encouraging local consumption and the recovery of the community where the company operates

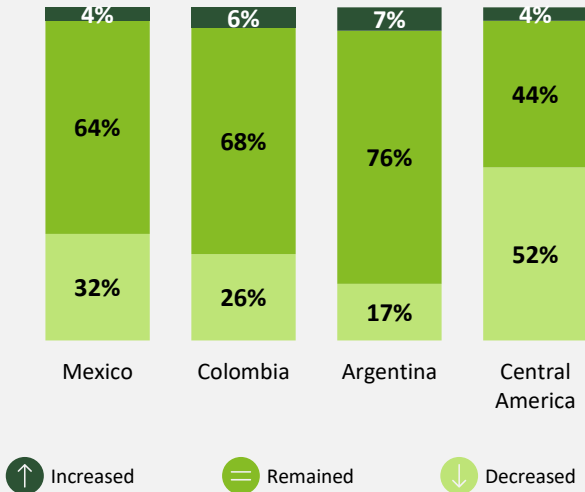
# Talent



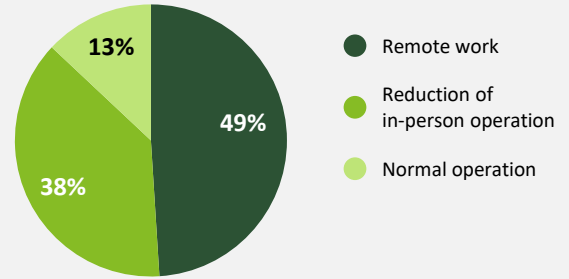


Companies have made efforts to **keep** the entirety of its **workforce**, even with the **decreased income and profitability**.

## Number of employees



## Operation Scheme\*



Colombia presents higher **remote work**.



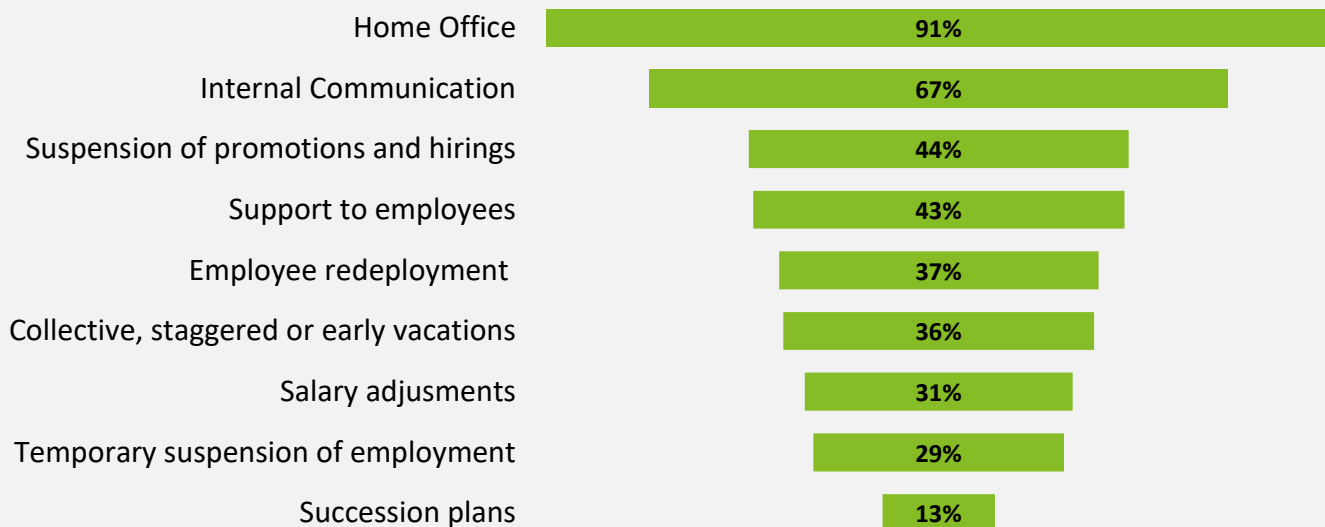
Sector with **higher** home office



Sector with **less** home office

\*Current scheme when conducting the survey

## Actions in response to contingency



In order to **preserve health** of their employees, organizations have implemented **remote work**. This practice has boosted internal communication and support to employees.

# Talent: recommendations

- 1 Design and communicate the **return to work plan**, including the definition of new work schemes, policies, security measures, protocols, etc.
- 2 Normalize **virtual work**, establishing new performance objectives and indicators and offering communication technologies for their operation
- 3 Estimate the size, cost and required capabilities of the **new ideal workforce**; analyze loads and relocations, adapting related **processes**
- 4 Review labor and legal implications for future employees **exits and rehiring**, as well as adaptations to the employment contracts
- 5 Identify **concerns** in order to reduce **resistance** to the return plan. Anticipate to job abandonment and/or absenteeism, privileging **flexibility**
- 6 Redefine **value proposition to the talent**, seeking to retain the best staff. Promote their physical and emotional health to maintain productivity
- 7 Define **succession plans** for key positions, reviewing also the structure of the teams, duplication of functions and reporting lines
- 8 Incorporate **virtual training and development schemes**, seeking to include the new capabilities and required competencies (e.g. non-face-to-face sales)
- 9 Identify outstanding staff during the contingency, developing monetary and/or non-monetary **recognition schemes**
- 10 Implement initiatives that preserve the **organizational culture** (even with distance). Take actions that provide certainty and avoid rumors

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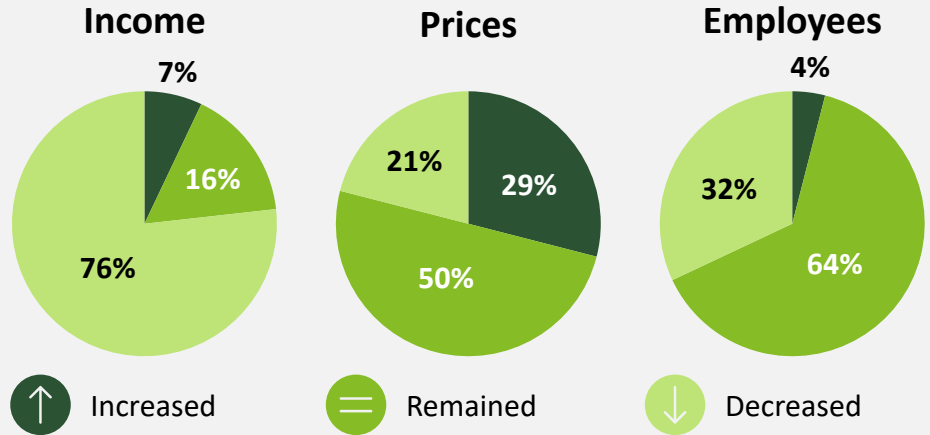


# Mexico

**20** states participated

## Concerns and needs

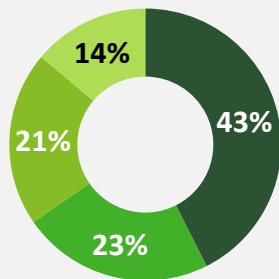
- 1st** Customer Services
- 2nd** Finances
- 3rd** Operations
- 4th** Talent
- 5th** Business continuity



**53%** make **online** sales

**66%** introduced **new products or services** to their portfolio

With current **cash flow**, companies forecast operations for...



- ... more than 9 months
- ... 5 to 9 months
- ... 3 to 5 months
- ... 1 to 3 months

Companies **reduced**:

- Selling expenses
- Marketing and advertising
- Services (e.g. rent, electric power, water, etc.)
- Investments in machinery, equipment and technology

## Working capital

- ↑ Receivable days
- ⇒ Payable days
- ⇒ Inventory days

## Actions taken in the field of **Talent**

- 1st** Home office
- 2nd** Internal communication
- 3rd** Support to employees
- 4th** Suspension of promotions and/or hiring
- 5th** Collective, staggered or early vacations



**Estimated recovery time in new post-COVID-19 scenario:**

**6 - 12 months**

**COLOMBIA** MEJORES  
EMPRESAS  
COLOMBIANAS



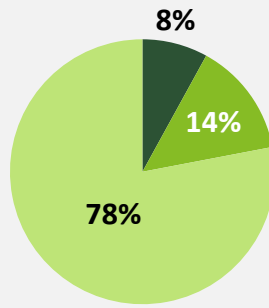
# Colombia

**6 departments** participated

## Concerns and needs

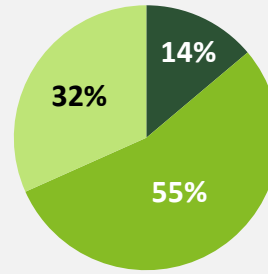
- 1st** Finances
- 2nd** Customer Services
- 3rd** Operations
- 4th** Technology
- 5th** Talent

### Income



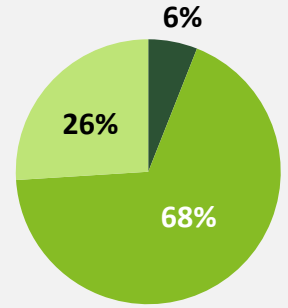
↑ Increased

### Prices



⊞ Remained

### Employees



↓ Decreased

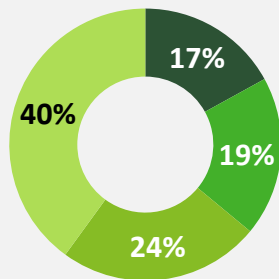
**51%**

increased its **online sales**

**45%**

introduced **new products or services** to their portfolio

With current **cash flow**, companies forecast operations for...



- ... more than 9 months
- ... 5 to 9 months
- ... 3 to 5 months
- ... 1 to 3 months

Companies **reduced**:

- Marketing and advertising
- Services (e.g. rent, electric power, water, etc.)
- Investments in machinery, equipment and technology

## Actions taken in the field of **Talent**

- 1st** Home Office
- 2nd** Internal communication
- 3rd** Support to employees
- 4th** Employee redeployment
- 5th** Succession plans

## Working capital

- ↑ Receivable days
- ↑ Payable days
- ⊞ Inventory days



**Estimated recovery time in new post-COVID-19 scenario:**

**6 - 24 months**





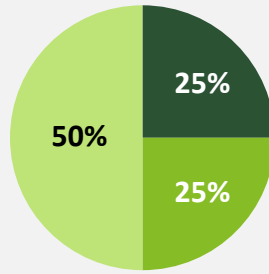
# Argentina

**88 companies** participated

## Concerns and needs

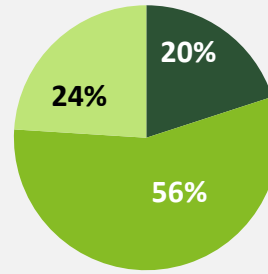
- 1st** Customer Services
- 2nd** Finances
- 3rd** Operations
- 4th** Business continuity
- 5th** Taxes and legal

## Income



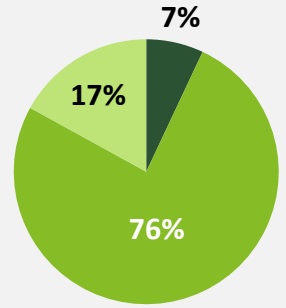
↑ Increased

## Prices



⊞ They remained

## Employees

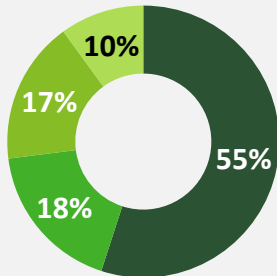


↓ Decreased

**38%**  
increased its **online sales**

**64%**  
introduced **new products or services** to their portfolio

With current **cash flow**, companies forecast operations for...



- ... more than 9 months
- ... 5 to 9 months
- ... 3 to 5 months
- ... 1 to 3 months

Companies **reduced** investments in machinery, equipment and technology

**75%** Estimate savings for **less than 10%** due to Home Office

## Working capital

- ↑ Receivable days
- ⊞ Payable days
- ⊞ Inventory days

## Actions taken in the field of Talent

- 1st** Home Office
- 2nd** Internal communication
- 3rd** Support to employees
- 4th** Employee redeployment
- 5th** Suspension of promotions and/or hiring



**Estimated recovery time in new post-COVID-19 scenario:**

**6 months**



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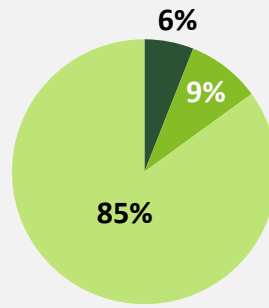
# Central America

**7** countries of the region participated

## Concerns and needs

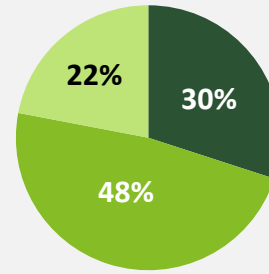
- 1st** Customer Services
- 2nd** Finances
- 3rd** Operations
- 4th** Business continuity
- 5th** Talent

## Income



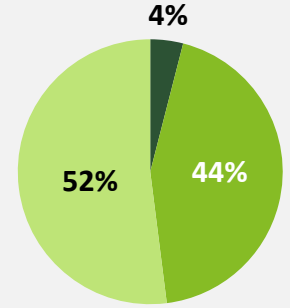
Increased

## Prices



Remained

## Employees



Decreased



**41%**

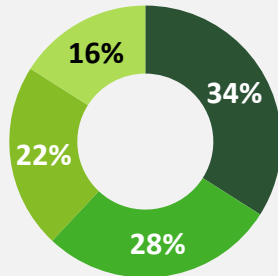
closed some points of sale



**60%**

introduced **new products or services** to their portfolio

With current **cash flow**, companies forecast operations for...



- ... more than 9 months
- ... 5 to 9 months
- ... 3 to 5 months
- ... 1 to 3 months

## Companies **reduced**:

- Marketing and advertising
- Payroll and/or labor
- Investments in machinery, equipment and technology

## Actions taken in the field of **Talent**

- 1st** Home Office
- 2nd** Internal communication
- 3rd** Suspension of promotions and/or hiring
- 4th** Support to employees
- 5th** Collective, staggered or early vacations

## Working capital

- ↑ Receivable days
- ↑ Payable days
- ↑ Inventory days



**Estimated recovery time in new post-COVID-19 scenario:**

**12 - 24 months**



## Conclusion

Conducting a strategic planning exercise is a best practice and becomes more relevant in times of crisis and uncertainty. In addition, incorporating flexibility and adaptability to these plans will allow us to cope better with many of the changes we are experiencing.

This document shows the main challenges companies are facing, as well as their behavior during the current health crisis. To maintain income, retain customers, preserve cash flow and ensure operations along the value chain, are just some of their concerns.

In addition, this report seeks to offer recommendations that may enrich the planning process and promote the sustainability of companies.

Since this is an extensive list of recommendations, we suggest to develop a previous mapping of the organization, in order to select and prioritize the actions to be implemented, seeking to increase its impact.

Without a doubt, each company has its own concerns, however, rethinking the strategy with innovation and flexibility, will allow them to identify and capitalize opportunities that were not visible before the pandemic.

Best Managed Companies reaffirms its commitment to boosting the continuity and growth of the business community. We hope this analysis adds value and help us overcome today's challenges together.

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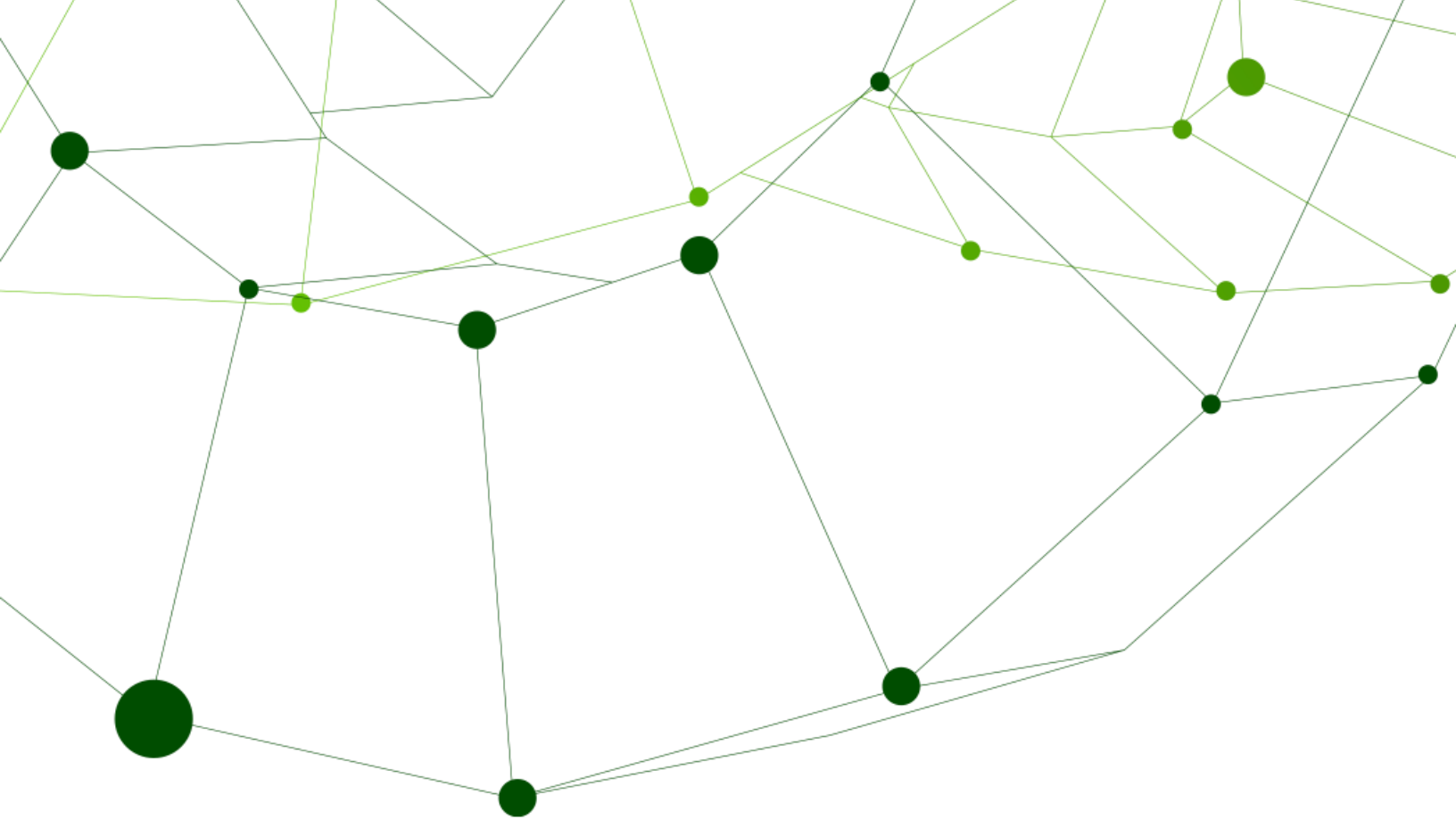
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# MEJORES EMPRESAS DE LATINOAMÉRICA

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