



## COVID-19 checklist: Practical steps for the immediate, midterm, and long term, Part II

No two black swans look alike, which is partly why it is so hard to see them coming.

While these unforeseen events generally pack a monumentally disruptive punch, they are often viewed through different lenses—and may require different responses.

In a previous edition of *CFO Insights*,<sup>1</sup> we outlined six responses—actually imperatives—that CFOs ought to consider amid ongoing uncertainty around COVID-19. Then, based on that framework, we presented five checklists for finance chiefs in a [special April 9 edition](#) of *CFO Insights*, on topics ranging from maintaining workforce health to bolstering liquidity.<sup>2</sup>

In this issue, we outline more of the immediate, midterm, and long-term actions that CFOs may want to take. By considering

such relevant issues, CFOs may have some of the information they need to recover from this crisis in time (see Figure 1).

### Technology investment

*With the support of CFOs, companies may need to improve digital capabilities, including cybersecurity, to enable virtualization and prepare for future transformation.*

1. **Create a dedicated budget for technology needs.** By establishing a crisis-focused budget, CFOs can enable IT to buy the software and hardware it needs to support the business. Equally important is the need to support initiatives that help the organization better manage risk and/or prepare for the long-term business goals.

2. **Plan for virtual data centers and software-defined network architecture.** Work with your CIO to plan for data center unavailability. Even if the physical infrastructure is available, the possibility of not having the employees to operate it is real. A software-defined network can provide a strong foundation for virtualization and reduce bottlenecks.
3. **Take an aggressive stance on shifting to the cloud.** Cloud-based services can be accessed from anywhere, anytime, from virtually any device. In addition to agility and speed, cloud providers can scale up and down quickly, offer higher security, and ease traffic off your corporate network. ➤

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4. **Create dashboards to track virtual tool usage.** Follow metrics, such as videoconferencing usage and number of support tickets created. Apply that data to making choices about ongoing initiatives.
5. **Secure business critical applications and tighten access control.** There are reports of an increase in cybersecurity and phishing attacks during this pandemic. Make sure the technology environment operates with a consistent level of security and access control.
6. **Evaluate whether—and to what extent—operations can be virtualized.** For example, a company can have an on-premise business operations system that can be remotely accessed by cloud-based enterprise applications, such as a CRM system.
7. **Prepare for IT supply chain disruption.** Such upheavals could make it difficult to procure critical infrastructure. It's also important to consider disruptions at service providers and have contingency plans, especially for ensuring the continuity of critical business services.
8. **Bolster cyber protections.** Cybersecurity should remain in lockstep with agile business processes, human resources management, and information technology. Elevated risk levels associated with surges in cyberattacks may pose sustained risk; bolstering basic security operations, data protection and privacy capabilities, and secure remote work controls can facilitate greater long-term resilience.
9. **Provide virtual employees with support.** Just as remote employees need the appropriate equipment, they also require the right support. That may require adding virtual tools to an IT help desk so that remote employees can still get the personalized help they need. Ensure adequate processes are in place for the remote workforce to acquire, use, and secure their equipment.
10. **Consider investing in technology to sustain and grow operations.** Investing in automation, AI, and other emerging technologies can increase quality, keep the workforce safe, and allow for better business outcomes. For example, work with HR and operations leaders to launch new initiatives—such as AI-enabled tools to screen candidates or chat boxes in customer service—to help maintain efficiency amid increased absenteeism.

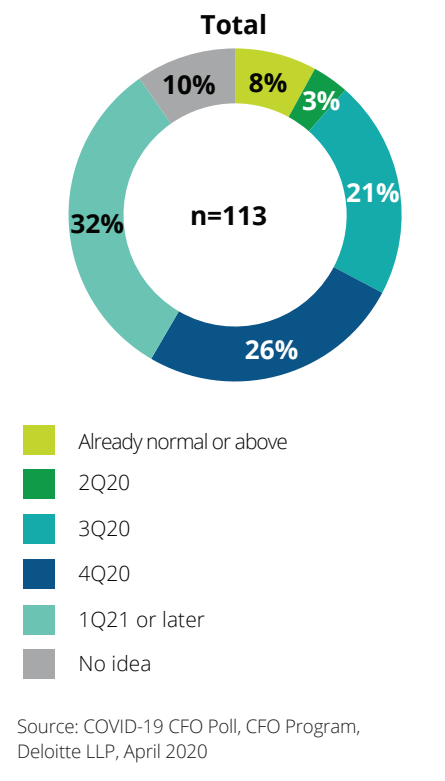
**Board management**

*CFOs should communicate to the board and the audit committee that the company's crisis management system is fitting for the current crisis.*

1. **Set up a crisis command center.** Board members and management should have well-defined roles and responsibilities to ensure swift and clear decision-making. Contingency plans should be established to address the situation should any members of key management or their families become ill.
2. **Facilitate information flow.** CFOs should design well-defined and easily accessible parameters to enable swift collection and dissemination

**Figure 1: What is your best guess for when your company will return to a pre-crisis (or near-normal) level of operations?**

Nearly 60% of CFOs say their best guess is for their operations to return to near-normal by the end of 2020. Only 12% say by the end of the second quarter.



of information. The information flow policies, procedures, and parameters should be reviewed regularly.

3. **Streamline management reporting to the board.** Companies should develop and adopt appropriate protocols for reporting critical information to the board, such as new government policies and economic policy changes. Employ technology tools to aid in the collation, organization, and dissemination of such information.
4. **Devise an effective internal communications strategy from the board.** Transparency, consistency, and clarity of messages are key elements



of the board's and management's communication with employees. Provide information, on a continuous basis, about measures the company is taking to navigate the crisis.

5. **Communicate closely with key external stakeholders.** Board and management should keep customers, suppliers, and lenders updated on any operational or supply interruptions that could delay fulfilling contractual obligations.
6. **Confer more frequently with the board.** Whether by phone or via email, board members need to be updated more often, possibly daily. In a crisis, the company's balance sheet and cash liquidity situation can change quickly. CFOs need to keep the board—and possibly the company's bankers—in alignment with the company's strategy.
7. **Present opportunities for growth.** Boards want CFOs to drive growth, although they may be focusing, short-term, on ensuring business continuity. As a result, CFOs may want to convey how they will carry out company strategy during the crisis, and that they are looking at positioning the business to accelerate out of the recovery.
8. **Leverage technology** not only to communicate with the board on a regular basis, but also to possibly prepare for a virtual annual shareholder meeting.
9. **Communicate with external auditors** regarding changes in timelines necessary to meet filing deadlines.
10. **Weigh the need for regulatory relief.** Keep the board apprised of ongoing legislative and regulatory developments related to COVID-19 to determine if the company needs to take advantage of the current 45-day SEC filing extension and issue the appropriate 8K.

### Scenario planning

*Planning for different economic, health, and big picture scenarios may determine how well companies recover.*

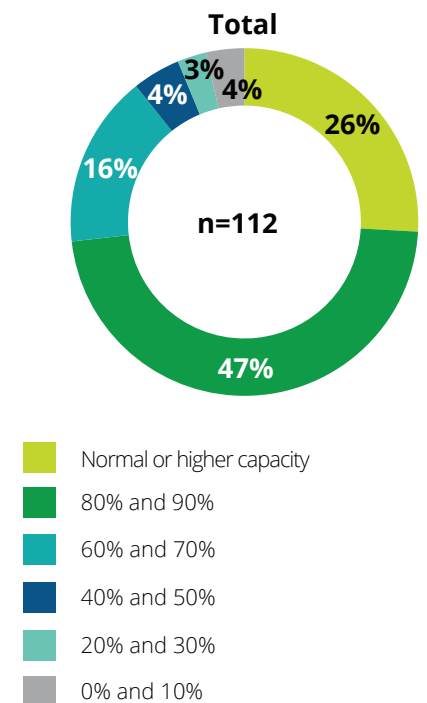
1. **Weigh multiple futures.** Test multiple futures; brainstorm different “what if” outcomes for what may occur within

a defined timeframe. How might customers or competitors respond to a specific set of developments?

2. **Monitor events.** Track relevant developments as they unfold to continually reassess the company's strategic direction and periodically assess whether the futures you anticipate are still the most probable.
3. **Maintain strategic optionality** by investing in interoperable and portable digital tools, rather than locking into one platform that may not support the company's ability to plan and analyze the business as it grows.
4. **Fund the most probable version of the future** (when that becomes a little clearer). The actual future will almost certainly surprise us, but companies can still study the range of possible outcomes, narrow the list to the most probable candidates, and prioritize resources to ensure optionality against a “matrix of maybes.”
5. **Don't just virtualize, digitalize.** Once data about work is collected, it can be used to enable AI tools to perform some tasks. Such automation can not only reduce costs and boost productivity, it may also buffer companies from having to completely shut down again.
6. **Prepare for long-term changes in demand.** Recognize that the problem of dwindling demand may not magically evaporate when the shelter-in-place and social distancing decrees end. Build pattern-recognition skills within teams to capitalize as that demand shifts.
7. **Prepare for a reshaped competitive landscape.** Pre-pandemic, mounting corporate debt, fueled by access to cheap money in the US, left some balance sheets dangerously frail. If the post-pandemic world finds those businesses struggling to service their debt, supplier and customer landscapes could be recomposed.
8. **Recognize sector reorganization.** In the medium-term view, the global economy may have to press pause for some time, fueling the growth of certain

**Figure 2: At roughly what capacity is your company currently operating (total company revenue generation)?**

Only about one-quarter of CFOs say they are at full capacity, but nearly three-fourths say they are at or above 80% capacity. Industry differences are substantial.



Source: COVID-19 CFO Poll, CFO Program, Deloitte LLP, April 2020

sectors (think makers of remote-office technology) at the expense of others.

9. **Prepare for the next normal.** If business as usual, or close to it, hasn't returned in, say, six months, the changes in work styles may calcify into the next norm; the shift to virtual may preclude a return to what will seem like outdated ways of working.
10. **Anticipate round two.** It will be hard to tell when the pandemic is over. Prepare for the future by building strong scenario-planning capabilities and prioritizing resistance and resiliency in the face of not just this virus, but future viruses.

## Risk management

*During a vulnerable time, CFOs should keep a sharp eye on managing direct and indirect risks and on protecting company assets.*

1. **Be attentive to internal controls and fraud.** As layoffs and cost reductions occur, companies can become more vulnerable to internal control failures, given stretched, disengaged, or ill staff. CFOs should exercise caution with regard to fraud.
2. **Monitor failures among suppliers and customers.** Diversifying and securing suppliers, as well as closely tracking customer payments, can help mitigate risks. Still, third-party risk management remains a critical concern.



3. **Guard against cyberattacks.** As companies virtualize their workforce—sometimes relaxing security controls and creating more external access points to their systems—they potentially become more vulnerable to cyber risks.
4. **Monitor effectiveness of policy interventions.** Many governments and their central banks have injected massive amounts of cash into their respective economies. However, it is unclear whether the moves will offset rising unemployment or can provide credit and liquidity in markets.
5. **Beware of cascading risks.** In a hyperconnected global economy, interdependent risks could be activated by the slowdown stemming from COVID-19. Given the uncertainty regarding the depth and duration of the virus's economic impact, it's unknown what cascading risks may emerge.
6. **Watch for insider threats.** Workforce reorganizations may lead to threats from disgruntled employees. Without early adoption of insider threat management programs, organizations may lack baseline processes to protect themselves from significant exposure of their customer and proprietary data.
7. **Revisit the internal audit processes.** In the mist of a pandemic, it may not be feasible for the internal audit team to conduct aspects of its work in person. As a result, internal audit may have to incorporate more data analytics tools in the work of assessing the risk landscape—recalibrating the function's agility in the process.
8. **Plan for shifts that may hinder internal controls.** Companies should also consider how a lack of information may affect management's ability to effectively operate controls. Existing controls may also be insufficient, as remote workforces may require additional internal measures.
9. **Be realistic about completing financial statements.** CFOs should realistically assess management's ability to prepare its financial statements on a timely basis. Delays in closing the underlying financial records may increase the potential for error.

10. **Prepare for the unexpected.** The collection and analysis of data, financial modeling, and scenario planning may help navigate complexity—and identify risks most likely to affect the business—but there will still be risks that cannot be foreseen, requiring liquidity and agility to respond.

## Operational improvements

*Beyond virtualization, consider what may need to change in how the company operates and what opportunities can be seized now (see Figure 2).*

1. **Shift forecasts to scenarios.** The rapid deceleration of business will make forecasting near-term revenues and earnings challenging—and existing forecast models obsolete. CFOs should consider scenario planning to guide revenue and cash outflow forecasts, plan for capital utilization and management, and create optionality.
2. **Reduce enterprise costs.** Given the severity of the drop in demand and the need to preserve cash, many companies have already begun enterprise cost-reduction initiatives, including in SG&A and procurement. The COVID-19 crisis also provides an impetus for restructuring to achieve efficiencies.
3. **Re-evaluate outsourcing.** Judiciously executed outsourcing contracts can allow companies to shift high fixed costs to variable costs that adjust with trends in the economy. Flexible outsourcing arrangements can also allow for the re-capture of the work should that become more attractive later.
4. **Rethink real estate agreements.** As future corporate real estate needs may decrease because of an increase in working remotely, there may be opportunities to reduce leased space and sell assets.
5. **Rationalize and diversify procurement.** Given the impact of COVID-19 on supply chains, this may be a time to diversify supplier sources and lock in critical forward contracts. CFOs potentially have the opportunity to drive new bargains across asset categories.

6. **Improve pricing discipline.** Price execution at many companies is decentralized and inconsistent. Pandemic-related revenue declines can present an opportunity to catalyze and execute a rational pricing strategy.
  7. **Rethink the portfolio of assets.** Some companies may not be able to secure enough cash to ride out the pandemic. CFOs should consider how to structure their portfolio to best survive and maintain value. At the same time, companies with strong balance sheets may be positioned to make strategic acquisitions.
  8. **Reconfigure supply chains.** The pandemic has created the need for many companies to reconfigure their supply chains for maximum resilience. Steps could include more onshoring and “nearshoring” of production, greater automation, and use of additive manufacturing.
  9. **Fund selective innovation.** During drastic downturns, R&D budgets can suffer, but too much paring back can undermine the development of future products. Companies with designs on resuming growth should consider continuing to introduce new products, as well as position products and services to boost their appeal as the pandemic subsides.
  10. **Develop recovery plans.** CFOs should consider exploring different recovery models to determine which markets and segments could bounce back first. The analysis can help in focusing investments and developing strategies to respond to the recovery.
- It doesn't require sophisticated tools to predict this much: some, but not all, companies will recuperate from the pandemic. Going forward, CFOs and their companies will likely bear some strategic scars, after-effects of any number of challenges—from fielding a remote workforce to maintaining customer loyalty in a contact-free environment. But, as with the virus, gaining some distance from the crisis may prove restorative for finance executives eager to flourish in a transformed marketplace. ◀

## Endnotes

1. Cockrell III, Sanford A.; Kambil, Ajit; Brown, Pat, “[Managing through COVID-19: Six imperatives for CFOs](#),” *CFO Insights*, April 2, 2020.

2. “[COVID-19 checklist: Practical steps for the immediate, midterm, and long-term](#),” *CFO Insights*, April 9, 2020.

\*For more information on how CFOs and other C-suite executives can respond to the current crisis, visit the dedicated [COVID-19 site](#) on Deloitte.com.

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