







The Resilience Wheel: where to focus your business in stressed or distressed conditions

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With the rising impact of COVID-19 being seen worldwide, all industries will face significant disruption to their supply chain, workforce and cashflow. The right response will depend on the specific circumstances you and your business face. However, when experiencing significant stress or distress, we recommend you focus everything you do around the management of cash.



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Our Resilience Wheel outlines five key considerations for businesses with cash management at the centre.



Cash management: the most critical issue for businesses

Take steps to retain cash in the business

This may include actions to:

- stretch creditor payments
- negotiate payment deferrals with landlords and banks where possible
- sweep idle cash from other facilities into your working capital account, or draw down on availability in your banking facilities
- negotiate with customers for them to pay early, by offering them a discount or other concessions
- explore tax concessions available
- investigate available government grants and other support

Short to medium term cash forecasting is essential

Now more than ever you should create a robust cash forecast. The minimum expectation for most businesses should be a 12-14 week daily (or even weekly) forecast, monthly after that to the end of 2020. Profit & loss and cash flow should be integrated and cash balances reconciled.

Stakeholders who are contemplating providing financial assistance will not be able to support everyone to the same level. Having a robust plan underpinned by strong financial forecast will give comfort and clarity to the stakeholder, thereby maximising your opportunity to access the necessary funding.

The Resilience Wheel: focus on cash management

Early Communication with financial stakeholders is essential what assumptions Do you understand how your have you made that are working capital debt facility critical to the position of the may be impacted? What are business and what is the impact the critical drivers and how on cash if you stress test can they be managed? vour assumptions? What What will your What are the What improvements trigger points for critical vulnerabilities in emergency can be made to your asset disposals your business if there is a decision taking cash management could you make be so you have supply/distribution chain control environment sufficient time to interruption? What steps to fund a cash to manage cash? shortfall? take action? can be taken to mitigate these? 13 week daily receipts and Have covenant What actions need Do you have payments cash breaches and cash early warning to take place now to flow forecast with shortfalls been dashboards adjust your business continual updates identified? What strategy to reflect the that provide you Is your internal and continual steps can be taken to with data? What economic landscape? communications learning from mitigate these? processes need to plan sufficiently experience change to be able transparent and to immediately timely? respond to How will your changes in What mitigating actions operating model need expectations? need to happen if you to change if your experience a sudden available workforce is fall in demand? suddenly reduced? Do you Do you have the right team/culture supporting you? What crisis skills and experience gaps need to be filled in the short term? Have you reviewed your forecast for blind spots? Are you consulting with a wide range of stakeholders? Have you reviewed your forecast for blind spots? Are you consulting with a wide range of stakeholders? Review for availability of government What is your next level contingency plan to preserve/generate cash if the immediate actions are insufficient? Indicate the immediate actions are insufficient? Review for available, including actions for availability of government support



Further considerations

2 Contingency planning

Where are the critical points in your supply chain? Consider stock piling essential supplies (try to create and hold an emergency reserve of critical supplies), ensure alternative sources are identified.

Who are your essential employees? Establish staff support plans to allow them to continue working (childcare, flexible working, remote working).

Explore what reliance your business has on external support for any processes/interaction with other businesses (including the supply/delivery chain).

Consider whether part (or all) of your business should be suspended, and the implications in terms of deactivating equipment and dealing with live projects or work in progress.

Think about if employee absence could cause you to miss a tax/regulatory filing deadline. Depending on your specific regulatory requirements, you may be able to delay audit dates or make arrangements for an audit using a virtual approach.

Look at the insurance cover you have and check whether you have a legitimate claim for the kind of disruption your business is currently facing. Similarly, check if a successful claim could be made against your business for the cancellation of services or goods.

3 Stakeholder management

A robust cash forecast will put you in a stronger position with your stakeholders. Be proactive and engage with tax authorities, lenders, landlords and key suppliers to avoid missing out on financial and other support that may be available.





People

Understanding your employees' profile is critical; consider the flexibility you have to deploy people into different areas of your business.

In many cases workforce solutions can be negotiated, and a big part of this is active engagement with people, unions and other employee representatives to explore what options can be accommodated for each business. Engaging with your legal advisers early will help clarify the options available.

There is always going to be a sensitive balance between maintaining employment levels and the ultimate survival of the business.

Set a clear policy for people absence, covering voluntarily absence and for situations where people are quarantined or unwell.

Employees need to know where they stand and trust messages from their business leaders – tone, accuracy and relevance can make all the difference to behaviour.

(5)

Setting up a crisis management team

Ensure representation from key departments or groups and meet frequently to discuss and prioritise problems.

Wherever possible, try to anticipate the next problem If you have spare resource, allocate some of it to a 'hot planning' group who can react and find solutions to individual problems as they emerge without tying up the whole management team.

Communicate early, often and frankly with the team. Establish a communication system which can reach staff at home or otherwise isolated. Lack of news breeds uncertainty and concern.

We are committed to keep you updated of all developments that may affect the way you do business in Puerto Rico. Please contact us for assistance in relation to this or any other matter, we will be glad to assist you.



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