

## **A Roadmap To Restarting Business**

Many process companies shut down regularly. Auto assembly lines and oil refineries, for example, retool and do maintenance and repairs during such periods of inactivity. They have elaborate plans and drilled protocols for shutdown and restart. But this time, things are different for everyone: Shutdowns were thrust upon organizations by government “stay at home orders” in response to the spread of Covid-19. Closures were abrupt and total, without detailed plans to follow. And it happened all over the world almost overnight.

Although most companies had risk management and business continuity strategies in place, no one anticipated a global crisis response of this scope and scale. Thus, few were prepared for the suddenness or the magnitude of this shutdown. With wide spread business closures and the ensuing furloughs, the situation feels dire.. And perhaps even worse, the ensuing restart could be equally ugly as politicians and economists lock horns with doctors and epidemiologists over what to do next. But at the individual company level, the restart doesn’t have to be ugly. In fact, if done correctly, it could be a market differentiator providing a more timely resumption of business with greater consistency and responsiveness than those who simply try to open the doors and turn the lights back on.

### **Restarting after an unexpected shut down requires detailed planning using best practices as a guide.**

Restarts are more complex than typical project events in the company. They require a framework to drive activities and information that result in sustainable business operations for the enterprise. As a project, Restarts should to be planned in a manner like other major corporate initiatives, however, Restarts involve activities that will not necessarily be discernable or accessible or even visible ahead of time. They will also be closely watched, attracting the attention of shareholders, boards of directors, public officials, and customers, all demanding significant transparency. Restarts impact the finances, operations, and virtually every employee of the organization: They are “whole business events.”

As such, the Restart Roadmap requires a strategy that entails 3 key corporate dimensions:

- a) Financial – knowing how long the organization can survive and what has to be done to fully engage within that time.
- b) Operational – determining how the company will operate in various supply and demand scenarios. Identifying market demand for goods and services and determining where risk can be mitigated.
- c) Human Capital – having a plan to ensure availability and safety of the human capital needed to operate.

### **Financial Planning - Many companies had no emergency funds to weather a storm of this magnitude.**

#### **Planning must support the financial heartbeat of the organization if it is to succeed.**

- i. Focus on Liquidity. Assure adequate cash supply to cover current liabilities in the short term and expenses in general. Accelerate cash inflows and reduced outflows; improve the cash to cash cycle where possible. Rebuild sufficient working capital and re-establish credit terms which may have been depleted during the shutdown.
- ii. Ensure that long term debt is serviced and doesn’t become a liquidity issue over the near term.

- iii. Secure additional Capital investment if it's necessary to get the machinery working again. Companies need to know which costs can be capitalized and/or amortized, if additional capital investment is needed and how to secure it.
- iv. Recognize and prepare for the eventuality that there may not be an immediate return to profitability. It takes a period of time for operations to overcome the learning curve and reach steady state. Any operations offline for more than 30 days will be slow to restart as it takes time to re-establish performance optima and overcome the impact of any new requirements.

**Operational Planning – develop methods to support likely Demand and Supply scenarios.**

Plans driven by uncertain events are less date and fact specific and more if/then/when in nature. Potential variation and contingencies are more than factors to mitigate project risk, they become the key attributes of the project itself.

- i. Don't worry about not having a certain start date. Establishing the "criteria" around which a restart could/should be attempted is more important. A specific start date will emerge as the established criteria are met.
- ii. Determine what goods and services are part of the restart. This list will be based on supply and demand variables that may be different than normal; current and viable inventory positions will also have an impact.
- iii. Identify how and where a restart will occur. It's likely there will be a phased rollout with different regions coming back on line at different points in time.

**Create demand scenarios from the established plan criteria with the help of Sales & Marketing. At least three scenarios should be drafted:**

Optimistic Example – Demand is pent up and will come back to 75% as soon as the doors reopen. The remaining 25% will be delayed based on regional differences, but is anticipated to return within 6 months. Inability to meet the initial wave of demand will result in customers going to competitors with an anticipated loss of 50% of those customers for at least 2 years.

Pessimistic Example – The products are considered nonessential and will not experience any significant demand until other more essential products and services are restored. End user inventories will be viable for at least 3 months and no significant demand is anticipated until after that. Upon reopening, demand is anticipated to be less than 25% of pre-shutdown inventory and be covered by in-stock inventories.

Most Likely Example – There is some pent up demand, but pipeline inventory will buffer existing demand for a few months until such time as production operations can comfortably be restarted. Minor shortages can be met with alternative products.

Replicate and refine these scenarios by assessing the sales, financial, human capital, and supply chain factors and determine which most impact restart. Then, identify the variants (e.g., demand is lumpy; supply is inconsistent; transportation is hindered by international restrictions that have not been lifted; the labor force is unwilling to return to work or social distancing requirements and PPE requirements make their work ineffective, etc.) that threaten startup. Last, perform What-If Simulations/Sensitivity Analysis to identify how the proposed scenarios change under various conditions and what factors pose risk to success and require preventive action to mitigate.

**Analyze the supply chain for the likely scenarios; determine the limiting factors and remediate.**

Compare anticipated product demand with inventory and identify products for which significant coverage gaps exist. Look past standard inventory policy and planning parameters as they may not serve the greater good at this time. Mitigate the risks of supply shortages by balancing supply base risk, cash flow, perishability, etc. without driving variability deeper into the supply chain. Determine if additional “strategic stock” can be secured from existing and alternate suppliers and secure options until firm orders can be placed.

Build agility into the production schedule by prioritizing production based on available inventory, changing demand and build capabilities. Shuffle lots in the event of material shortages based on established priorities. Be prepared to scrap rules that force efficient production, such as time fences and economic lot sizes, which may overly constrain in this environment.

Ascertain the ability of key suppliers to meet supply requirements. Work with these suppliers to shift production and purchase order fulfillment where necessary. Extend the look to the Tier 2 suppliers that constrain Tier 1 supplier performance to maximize time and flexibility to enable alternative plans and keep plants running at maximum efficiency.

**Human Capital Planning – have a process to bring back needed people while ensuring their safety.**

Determine resource requirements based on the likely production plan. Consider how operations are to be managed amid ongoing safety prevention and control measures, and ensure that workers can return to a healthy work rhythm as soon as possible. Based on operations restarting in waves and demand softening, Operations will likely need fewer people than it had originally. Of those it needs and wishes to have return, some won't return requiring some restructuring and reshuffling.

Plan for a human reboot and warm up period. No one will remember exactly where they were before the shutdown. Others will be assuming new responsibilities and/or performing new tasks. Estimate how long it will take for those individuals to come up to speed. Make provisions for employees who will require new or different skills as they take on new or evolving roles.

Ensure programs are in place to meet workplace restrictions including social distancing and personal protective equipment. Identify and implement new practices to assure compliance with all public health mandates. Ensure that alternatives are available for manually intense work that was traditionally performed by people in clustered or confined spaces. Look at larger practices like parking, carpooling and public transportation that may not be viable. Plan for alternatives for breakrooms, bathrooms and/or meal service as may be necessary.

Determine media and messaging for communications with employees prior and pursuant to their return. Make sure that they minimally know when to come back and what to do when they get here.

**While we are in uncharted territory, leveraging best practice will guide us to a faster and more effective recovery.**

Robust business planning is prerequisite to effective execution. Ensuring workforce safety, whether they are employees or contractors, is the No. 1 priority. Manage the expectations of diverse stakeholders, and engage them early in the planning process. Develop, deploy and communicate the Restart process. Modify business processes to meet the needs of the business in the new normal. Coordinate and engage the complex resources to leverage needed knowledge and experience. Effectively driving restart using these best practices will ensure the organization's ongoing success and deliver a silver lining that's inside this otherwise dark cloud.

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