



**Chamber of Commerce discussion**

March 2020

# Dealing with COVID-19

## How can we support Businesses

Regional Business Partner Network (RBPN) have set aside a portion of additional funding to support businesses through COVID-19. Our focus will be to assist with funding of businesses to access 1-1 support with professionals in the following areas:

HR

Health and Wellness

### **Business Continuity Planning**

### **Finance and Cashflow Management**

Businesses will be able to access funding to fully fund advice in the areas above.

RBPN hope to distribute this fund to as many businesses as possible. This will be managed by the growth advisors and will be at their discretion.

Criteria for clients that will qualify for a capability voucher:

- Have undergone an assessment with a Regional Partner (Growth Advisor)
- Have fewer than 50 full time equivalent employees
- Are registered for GST in New Zealand
- Are operating in a commercial environment
- Are a privately owned businesses, or are a Maori Trust or incorporation under the Te Ture Whenua Maori Act 1993 or similar organisation managing Maori assets under multiple ownership.

**For more info see the Marketplace on:**  
[regionalbusinesspartners.co.nz](https://regionalbusinesspartners.co.nz)

# Challenges of COVID-19

## Potential challenges

- Focused on the **immediate, operational problem**. Not focused on its **impacts**
- **Failure to understand** the **scale, breadth, speed, and consequences**
- Want to move quickly and demonstrate action can lead to **poor decisions**.
- **Overwhelmed** by scale of information
- Working in a **silos**
- **Imprecise, inconsistent or delayed internal communication**



## Where businesses need to get to

- Aware of all the **strategic impacts**: employees, stakeholders, reputation. Not just operations.
- Working together to get an **organisation-wide understanding** of the impacts and a coordinated response effort
- **Supported by others** to manage specific workstreams
- **Communicating where needed** which engages key internal and external stakeholders
- Over the shock of the challenge with **good situational awareness** and clear information channels
- Comfortable **making decisions** with little or rapidly changing information by aligning to company values
- Thinking ahead with **scenario planning**

## Questions to ask to help you get there

- How are you **impacted** by the unfolding situation?
- Do you or your employees have **dependencies on areas affected**?
- What **steps have you taken** to date?
- How are you **tracking the latest updates** on the situation?
- Have you **activated any emergency plans**?
- Have you **mobilised a cross-functional team**/working group to consider impacts?
- Is your **supply chain** affected?
- What **plans do you have in place** to mitigate any impacts or manage issues?
- Has this **impacted morale** amongst your workforce?
- Are your **employees/ customers/ suppliers** asking for assurance?

# Resilient leaders in a crisis *take specific actions* across these three dimensions

Detailed briefings further covering these priority areas can be found on [Deloitte.com](https://www.deloitte.com).

Priorities	Time Frame		
	<b>RESPOND</b> Prepare / Manage Continuity	<b>RECOVER</b> Learn and Emerge Stronger	<b>THRIVE</b> Prepare for the Next Normal
<b>Command Centre</b>	<ul style="list-style-type: none"> <li>Establish COVID-19 Command Centre</li> <li>Itemize organizational vulnerabilities by impact and value</li> <li><b>Develop and launch Communications Plan and Strategy</b></li> <li><b>Scenario plan to determine decisions to make today or defer</b></li> </ul>	<ul style="list-style-type: none"> <li>Activate recovery contingency plan if required</li> <li>Reflect on lessons learned and rebuild with resilience</li> </ul>	<ul style="list-style-type: none"> <li>Institute crisis and resilience planning as Business As Usual</li> <li>Update crisis playbook to reflect COVID-19 lessons learned</li> <li>Organizational design for resilience and flexibility</li> <li>Regularly refresh vulnerabilities assessment</li> </ul>
<b>Talent &amp; Strategy</b>	<ul style="list-style-type: none"> <li>Revise HR policy – leave, travel etc.</li> <li>Review employment contracts for potential issues</li> <li><b>Implement and monitor safe / flexible working arrangements</b></li> </ul>	<ul style="list-style-type: none"> <li>Reimagine people strategy and operating model</li> <li>Manage rapid employee return and ramp-up (future state)</li> <li>Execute on strategic growth ambitions</li> </ul>	<ul style="list-style-type: none"> <li>Rework employment arrangements to reflect next normal</li> <li>Employee education and training in crisis and resilience</li> <li>Consider shape of business models and ecosystems of the future</li> <li>Build scenario thinking / sensing into strategic decision-making</li> </ul>
<b>Business Continuity &amp; Financing</b>	<ul style="list-style-type: none"> <li>Ensure actions uphold Responsible Business principles</li> <li><b>Implement cash conservation and recovery actions</b></li> <li><b>Evaluate working capital and liquidity requirements</b></li> <li>Quickly optimize working capital and establish credit solutions</li> <li><b>Control discretionary operating costs and capex</b></li> <li><b>Negotiate more flexible financing terms with lenders</b></li> <li>Communicate with other key financial stakeholders</li> <li>Understand impacts on contractual obligations (e.g. loss quantification, force majeure)</li> <li>Gather documentation for contract negotiations and claims</li> <li><b>Leverage government incentives</b></li> </ul>	<ul style="list-style-type: none"> <li>Initiate claims and contract dispute resolution</li> <li>Ramp-up to normalized financial reporting</li> <li>Right size of operating model and support functions (e.g. fixed vs variable resources; manpower vs technology)</li> <li>Implement debt refinancing</li> <li>Exit of non-core and under-performing assets</li> </ul>	<ul style="list-style-type: none"> <li>Maintain robust financial forecasts and scenario planning</li> <li>Stress test business model and capital structure</li> <li>Build resilience into operations and financing</li> </ul>
<b>Supply Chain</b>	<ul style="list-style-type: none"> <li><b>Identify supply chain risks and potential disruptions</b></li> <li><b>Develop contingency plans for operational disruption</b></li> <li>Understand demand and supply issues and develop inventory strategies to buffer volatility and risk</li> </ul>	<ul style="list-style-type: none"> <li>Establish multi-tier supplier network visibility to risks</li> <li>Collaborate with customers and suppliers to execute priorities</li> <li>Manage inventory and cash flow closely</li> </ul>	<ul style="list-style-type: none"> <li>Restructure supply chain to improve resilience</li> <li>Implement technology to improve end-to-end visibility, optimization, and agility</li> </ul>
<b>Customer Engagement</b>	<ul style="list-style-type: none"> <li><b>Engage with key customers to support business continuity</b></li> <li>Develop communication strategy with front line employees</li> </ul>	<ul style="list-style-type: none"> <li>Review orders vs commitments and inventory</li> <li>Utilise technology for customer communications</li> <li>Reset receivables cycle, collections process and KPIs</li> </ul>	<ul style="list-style-type: none"> <li>Establish open communication channels with customers</li> <li>Evaluate capacity / incentives to provide financial support</li> <li>Develop contingency plans for financial disruption</li> <li>Reimagine the operational model to strengthen customer engagement</li> </ul>
<b>Digital Capabilities</b>	<ul style="list-style-type: none"> <li><b>Assess and address systems</b></li> </ul>	<ul style="list-style-type: none"> <li>Optimize e-commerce and customer / channel strategy</li> </ul>	<ul style="list-style-type: none"> <li>Implement digitally-enabled future of work including for business processes and back-office functions</li> <li>Reflect on lesson learned and share best practices</li> </ul>

## Business Continuity

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### Business Continuity Plans

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- **Create scenarios, with associated financial impact, of disruptions to supply chains, of employees staying at home, and other examples. If the disruptions lasts one week, two weeks, a month, decide at what point you need to seek a 'Plan B' for business operations**
- Establish travel policy for all employees, vendors and third parties working on behalf of the entity. Management should proactively monitor latest travel guidance for all affected areas and review travel policies in response.
- **Consider forming a temporary COVID-19 or 'Crisis Committee', that can meet as frequently as necessary and report back with updates and recommendations.**
- Consider the possibility of shareholder meetings being undertaken through channels such as 'Zoom'.
- Some companies' (mainly financial institutions) have divided their mission critical teams into two: an A and a B team.
  - The two teams work separately, in different locations, or in quarantine for two weeks and then switch.
  - If a member of one team becomes infected, this will only knock out half of the whole.
- Launch a communication campaign asking for employees to stay home if ill, or to not come into the office until a specified amount of time has elapsed.
- **Understand local government support and assistance (including special loans or tax rebates) to help mitigate the impact from the outbreak.**
- We have seen companies begin to update/develop business continuity plans to understand contractual obligations, **evaluate financial impacts and liquidity requirements, formulate debt restructuring plans, and optimise assets** to help restore financial viability.
- **What capital investments can be postponed until the situation improves? What capital investments should be reconsidered? What capital investments are required to position for the rebound and for creating competitive advantage?**

## Financing

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### Evaluate Working Capital and Liquidity Requirements

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- **Reforecast trading and cash flows. It will be important to revise assumptions, forecasts and cashflow. In addition, potential creating downside scenarios given the current number of unknowns, to help your prospective funders understand actual/potential financing needs.**
- Review the cash flow forecasts for the next three months in detail and identify what actions should be taken to **preserve cash in the short-medium term.**
- **Take action** around working capital. Funders will expect you to have already what you can to improve cash flow by optimising working capital and actions taken to preserve cash in the short and medium term.
- In the event COVID-19 extends into the medium term, **seek out additional sources of capital early** (e.g. asset based financing, alternative debt funding).
- In the current abnormal business conditions, smart companies' are shifting their focus from the income statement to the **balance sheet.**
  - Of the three elements of supply chain working capital – **payables, receivables and inventory**, supply chain executives have a tendency to focus on inventory.
  - In order to reduce the working capital requirements during challenging times, its important to apply a co-ordinated approach that addresses all three areas.
- **Revisit your variable costs.** Reducing this is often a quicker way to immediately reduce your cash outflows than focusing on your fixed costs. Ways to do this could include imposing **travel bans, impose hiring freezes and minimise discretionary spend like entertainment and training.**
- Intelligently extend payables. Some companies may look to delay their payments to suppliers and force the extension on their suppliers, especially when stuck with inventory they can't deliver into impacted margins. We recommend **working with suppliers to establish an agreement that will work for both of you** to minimise the impact of putting too much strain on supply relationships.
- **Take a hard look at** how your **receivables** are being managed. Like the comment above re payables, your **customers may be looking to delay payments** to your business. It is therefore important to improve the rigour of your collection process. Focus on customer-specific payment performance and of course the basics such as timely and accurate invoicing.
- Review **tax and provisional tax requirements** – reassess if need be. Tax pooling is also an option



## Financing

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### Negotiating with Lenders

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- Current lenders. For the majority of companies, this will be the best starting point. Your advisor can help with quickly formulating a request for support from your existing lenders.
  - Special situation funds. Deloitte can help with matching your particular needs to one or more specialist funds who are well known to us and can deploy capital flexibility and creatively at short notice.
  - Review your lending documents and understand the key terms, covenants, current headroom and flexibility in your banking and finance documents.
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### Communicate with Key Stakeholders

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- Businesses should communicate regularly with key stakeholders including their lenders and investors in order to retain their confidence and support.

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## Private

## Relief

### Government assistance

- Announcements have been made, however details re application are developing
- Immediate relief
  - Wage grants – need to demonstrate a 30% reduction in revenue or planned revenue as a **result of** the COVID-19 outbreak. For any month from January 2020 to June 2020. This can be forecast
  - Differing rates for full time (\$585.80 per week) and part time (less than 20 hours per week) staff (\$350 per week)
  - Best endeavours to pay 80% of normal wages or pass on subsidy, also best efforts to retain staff for 12 weeks
  - Payments to staff would include PAYE deduction as normal
  - Am not sure about additional announcements in the future
  - Applies to the self employed (likely even shareholder salary situation)
  - Paid up front in a lump sum
- Business finance Support Scheme - The scheme will include a limit of \$500,000 per loan and will apply to businesses with a turnover of between \$250k and \$80m per annum. The loans will be for a maximum of three years, rates will be competitive. Loans will be underwritten 80% by the Government and 20% by the retail bank
- Longer term relief
  - Some relief around interest and penalties on late payment of taxes, although need to prove inability to pay
  - Reduction of provisional tax threshold from \$2,500 to \$5,000
  - Ability to claim immediately in 20/21 tax returns deductions for low value assets to \$5,000 (was \$500). Reduces to \$1,000 in 21/22
  - Ability to recommence depreciation on buildings at 2%



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