

2020

www.caim.cz

Czech Association of Interim Management, registered association



CORPORATE CRISIS MANAGEMENT AND CORONAVIRUS

Recommendations and ideas for consideration based on experience with corporate crisis management

Target Group of Message: Owners and management of Czech small-to-medium enterprises, especially of a production character

As a result of the coronavirus epidemic, all of society, including companies, now finds itself in a non-standard situation, and probably even in a state of crisis. The government is dealing with the situation at hand with certain measures that should stop or slow the development of the epidemic and that should thus protect the health and lives of its citizens. The lives and health of the populace have maximum priority; however, such measures will cause and will continue to cause secondary negative impacts on companies, among others. The problems of one company in the supply chain will then cause problems in the following companies, and thus the negative effects will multiply. Plus, there are problems with the smooth shipment of goods and materials across borders.

A typical Czech characteristic is the great ability to improvise in almost any situation. Therefore, we can assume that entrepreneurs will in some way be able to successfully deal with the operational issues caused by the coronavirus epidemic. Aside from this, many recommendations about proper hygiene and labour-law issues, etc., have already been published. The government has also prepared certain tools to help enterprises, including a guarantee for credit or the deferral of some tax obligations.

Sadly, however, the coronavirus epidemic is at present still before its culmination, whereby we do not know when this culmination will occur nor do we know when measures the government will take when it comes to quarantine, banning cross-border travel, limiting the sales of goods and provision of services, etc. will end, or whether and when any new restrictive measures will be implemented, respectively.

At the time when this text was written, we have basically had just one week since the governmental measures were first implemented, and most enterprises have yet to be gravely effected by them, or, if they have already been effected, then only to an extent comparable to that of the annual widespread flu epidemic, respectively. However, we have to expect that the impact of the reduction in the number of workers due to quarantine, the lack of supplied materials, or the slower cooperation with other subjects will begin to manifest with a greater intensity in the next few days (depending, of course, on the scope of business and the degree of interconnection with other companies).

At this point in time, it is necessary that owners and management teams realise that they will no longer be able to effectively handle the situation in their enterprises with measures issued on a day-to-day operational basis. A crisis is at hand, and it is necessary to accept this fact with a cool head, and to begin acting accordingly.

A crisis is defined as any sudden change in situation when the routine processes stop working for either external or internal reasons, is accompanied by a lack of something necessary (for life, for activities...), and is accompanied by unsure future developments and, as a rule, also by a lack of relevant information. During a crisis, some common, especially more complex rules of behaviour are replaced by others, usually simpler and almost instinctive ones, and are sometimes also accompanied by panic and chaos.

Therefore, the first rule of crisis management is to truly realise that a crisis is at hand. That we are experiencing a break in our operations. That we cannot continue to carry out our activities in the same manner as we have up to now. That this situation endangers us directly - and, in the case of an enterprise, its very existence is or can be endangered by the future developments. That **our previous plans and perspectives based on the regular, pre-crisis situation are no longer valid.** Forget doing the tasks set out by the plans for March, April, May..., however, with the high probability that most enterprises (perhaps except for the production of healthcare, sanitary, and pharmaceutical products or foodstuffs, etc.) will have to forget the hope of meeting their business plan that they have set out for the financial year of 2020. Without any activity planning, though, an even greater chaos will occur, so it is necessary to substitute these (from today's point of view) unrealistic plans with new plans - for the crisis. More about this, however, in the pertinent chapter.

The second important step is to curb any panic. Panic and the stress caused by it is the natural reaction of people to a crisis or to other sudden negative phenomena. Panic, however, does not help at all, quite the contrary. It is necessary to keep a cool head and to begin to rationally map out the situation. We are the captains (owners, managers) of a large ocean ship carrying a large amount of valuable goods and several hundreds or even thousands of passengers and crew on board, and which has unexpectedly hit rocks and is collecting water under deck. If the captain were to panic and become chaotic, this would quickly spread to the rest of the people on board, and this spreading panic and chaos would paralyse the whole crew, who would not be able to effectively implement any rescue efforts. **Therefore, it is necessary to remain calm. In a crisis, the role of the leader is key;** they are the commander of the defence. The eyes of all their colleagues and co-workers are watching them. Therefore, a personal example of calm, thoughtful action, even if accompanied by determination and decisiveness, will significantly help suppress any panic.

The third step is leadership in a crisis. Yes - crisis management is based a lot on the practices and experiences used in the military. A crisis cannot be managed using collective voting or according to some handbook. The owner and general director are, if they feel up to it (and if they are personally present "on board"), obvious candidates to be the leaders in crisis management. On the other hand, if the owner or director should be for some reason stranded abroad, or if they should be quarantined at home, they cannot be the commander of the enterprise. In such cases, they must, like it or not, delegate their authority to somebody competent who is also immediately present in the enterprise. Anyone who finds themselves in this position must **determine the tools of crisis management.** There are five of them:

- **organisation** - who will do what, who will eventually substitute whom, who is superior/inferior to whom (during a crisis, the pre-crisis organisational structure need not be valid - on the contrary - **the organisation must adjust to the new situation**, in this case, the crisis), who will have what competencies, where the operational staff will be (for example, meetings of the management), who will be responsible for its functioning

- **leadership** - in the absolute majority of cases, a crisis is dealt with using a **central management model**; matrix, fractal, amoeba, and other modern models of management are not used in times of crisis (for the purpose of solving certain crises in larger companies, these are divided into smaller units that can be managed locally and the coordination of these decentralised units must be set out - but this is not the usual case with small-to-medium enterprises); the manner of how instructions will be given from the centre must be determined
- **planning** - it is necessary to separate short-term operational planning in crises (usually with a time period of one day to a maximum of one week) from plans/prospects of a more conceptual nature, spanning time periods of several months until, for example, the end of the year
 - **operative supervision planning** is based on daily (and more often, if needed) meetings of the relevant people, who sum up all available information about resources and prepare a plan of action for the nearest future, in this sense, the aforementioned ability to improvise is an advantage, and it is probably not necessary to come up with any general recommendations here
 - **conceptual plan for crisis solving** - this area of management is greatly underestimated by typically Czech enterprises, and it is necessary to pay closer attention to it:
 - Because it is still not evident when and how the coronavirus crisis will culminate, and how its impacts on each sector and on companies will manifest, it is recommended that **conceptual plans be based on several probable scenarios**,
 - for example, a complete 14-day interruption of all production operations in a company, or a one-month or two-month interruption (it is better to consider the worst-case scenario that will eventually not be used than not be prepared for an actually worse situation),
 - and to prepare plans of dealing with these scenarios, and how to continue operations after such interruptions.
 - Seeing that the general expectation is that the viral contagion will culminate at the beginning of April, and the company would not be able to fully launch production as a result of a shortage of resources after the given period, it would be appropriate to prepare such conceptual crisis scenarios with a gross estimate until the end of this year,
 - and according to the scope of business of the company, it is possible to combine the possible scenarios with similar scenarios dealing with the shutting down of only certain parts of the company/production ☒ although this is more complicated, if the scenarios were to be treated merely in their approximate perspectives, it is possible to also describe possibilities with numerous mutual combinations.
 - If this is at all possible, connect your scenario with the scenarios of your main suppliers and clients - communicate and confirm your mutual options.

- In case that the discussed situation sets in, the company management will have thinking advantage **in considering what the given situation means for them.**
 - This approach does not present detailed instructions on how to solve the situation, but it allows one to realise the basic contexts in advance, and chiefly, **when managing the situation, to have a sufficiently detached view and to not let themselves be swallowed up by operatives and the day-to-day panic stemming from the unpredictable developments of the situation.**
- **supervision** – every management needs **feedback to know how and if their instructions are being implemented**; each of the executors have a similar need, and supervision also plays a significant role in terms of employee motivation. **In a crisis, it is vital that instructions are executed in time and to the necessary extent** - a detailed precise description of how to carry out tasks or any administratively complex control system rather slows the process. **When giving instructions, the first supervision must be aimed at whether the instructions were properly comprehended and understood.** Then everyone who follows instructions should know that they should immediately and at the right place (usually to the aforementioned crisis-staff, not necessarily directly to the crisis manager) inform that they have adhered to instructions, or eventually inform them of the partial adherence or of any problems in adhering to them. **The speed and clarity of such communication must have priority** over the formal and social mores. In this situation, it is necessary to suppress a common managerial shortcoming - to search for scapegoats to blame the situation at hand or the problems that have arisen on. **That which was improperly carried out yesterday can never be taken back. Therefore, it is necessary to keep our eyes focused forward, so that a similar problem will not repeat itself.**
 - **human resources** - working with people - **dealing with crises requires slightly different characteristics and abilities** than the normal company operations do. Therefore, it is necessary to **take care in choosing your crisis team.** Expertise, the ability to quickly analyse situations, thinking through combinations of possible solutions, synthesis, the ability to make decisions and to take responsibility for such decisions, the ability to communicate well and clearly (not keeping any information for yourself), mental endurance, ability to not panic - these are the main requirements for the key figures making up the crisis team. Other characteristics, including any aspects of eventual discrimination according to any other criteria suitable for regular life must be put on the back burner during a crisis. **Choosing a suitable team is the responsibility of each leader, more so during a crisis.** And if the leader in a crisis should come to the decision that it is necessary to make some **personnel changes** for the period of the crisis; **they should not hesitate** and do so immediately. Humanely, but with the necessary determination. Aside from this, they

must also **consider the necessity of substitutability**. We do not know the day or the hour when anyone of the key figures in the company can fall ill or be quarantined. Therefore, it is necessary that each key person should nominate their substitute, and that they **share information with them, and their community knows who substitutes whom**. Even the highest leader must have a nominated substitute. It is not possible for an owner or company director to fully manage the company from quarantine at home, or worse, if they should even breach this quarantine and wish to meet with their team in person.

The fourth point needed to be met by crisis management is gaining and transferring information. After all, ancient military commanders asserted that there is no commanding without communication. During a crisis, it is necessary to ensure the rapid and accurate transfer of information from each part of the “battlefield” to the crisis-staff that manages the crisis, and to ensure that each and every employee must just as rapidly and accurately receive their instructions from this staff. This should also ensure that **all important information is available in one place and that it is continuously up to date**, so that various information with various degrees of up-to-dateness will not come into conflict, and so that people will not be rather confused.

In the following chapters, our experiences with crisis management in enterprises is summed up, with a focus on the medium-sized local production plants that have their own business/sales (both domestic and abroad), processes of order planning, have external partners cooperating on the development or configuration of products or projects, have their own production including any eventual partnerships, purchasing that ensures resources, components, and sub-totals from other domestic or foreign sub-contractors, and who are responsible for logistics (warehouses, own and contracted transport). Furthermore, they are responsible for pre-sales servicing (including launching operations of equipment or of the product, user help), for the post-sales servicing, including dealing with any claims, etc. Of course, there are other companies who do not meet the aforementioned model who can also draw inspiration from the recommendations at least partially for their own situations.

In the chapters that follow, our experiences in each basic company process are summed up.

1. Business/Sales

In the first phase, one must **inventorying of their orders according to if and when expedition is possible**. What can be shipped later (of course, under the assumption of real payment), and what must be expedited as soon as possible. However, with the impacts of the measures (quarantine, restricting the movement of people, actual morbidity, problems with supplying, and especially not enough various purchased resources for one’s own production) taking gradual effect, we must expect that there will be an ever-increasing

incapacity to fully complete some orders in the contractual periods, and thus also an incapacity to meet the original contractual obligations towards one's customers.

In the chapters on planning orders and production, we mention measures related to the operative dispatching and the operative determination of priorities. Expedition is then planned based on the outputs of dispatching. **In any case, it is necessary to continuously communicate any changes in priorities with the customer, and to communicate about any delays in deliveries.** To communicate continuously, to the point, but also demonstrably - **make clear archives of your e-mail correspondence.** Every telephone call in which you negotiate any changes compared to the original provisions of the contract should be then **briefly summarised in writing in an e-mail.** It is necessary to inform the client not only of commercial facts, dates of delivery, etc., but to adequately and openly communicate the current situation of your company, which could have an impact on already contracted agreements in the near future.

Presently, when we still have no idea how long and what measures await us, everyone logically prioritises health, putting it first, then ensuring supplies for healthcare and nourishment for the populace, and logically, everything else is put aside. Unfortunately, we can expect that once the acute problem ends and we will deal with the consequences of the crisis and their rehabilitation, **there might be some subjects who will attempt to place the negative impacts that affect them or their business activities partially or wholly on other subjects**, so-called "hyenas" who might even try to make a profit from the situation. We do not wish this unto anyone, nor do we wish to induce such a situation, however, our experience shows that this is sadly also the reality of particular company crises.

Therefore, one needs to take advantage of time (e.g. when some businesspersons are working on home office, etc.) to take quick stock of all contacts and contracts, according to which the company should act during the crisis and in the period after the crisis (in the current situation, we recommend until the end of 2020). **The inventory should analyse all contractual sanctions, fines, etc. for not delivering, for late deliveries, for problems with launching operations of delivered equipment/pre-sales servicing, etc.** Special attention should be paid to **how so-called force majeure is treated in the contract.**

When communicating with the client about problems in delivery, or in delivering the contracted order on time or to the full extent, **always give your reasons for not duly meeting your contractual obligations.** If problems arise related to the quarantine, restricted movement of people, shortages in supplying (even locally as a result of some stores closing), as a result of restricting the cross-border movement of people, etc., mention this in every communiqué with the client. Do not make excuses, do not abuse these reasons, but if they truly prevent you from delivering everything duly and on time, communicate them everywhere and archive everything in written form (e-mails). If your partners are trustworthy, you will not need this. But not everyone is such that **they will not begin searching for scapegoats after the acute phase is over** (it was so during every crisis, so there is no reason to believe that this particular crisis will be an exception). Your company can be markedly affected by the negative crisis itself, and it surely is not desirable that you should also have to defend your position from fines, penalties, or dishonest partners. Often, it need

not be the ones you actually negotiate with, but a range of companies has superior structures that are often completely separated from the “field daily business” sphere, and who can then request the rehabilitation of all losses in capital at the expense of their business partners.

Despite of this, the fundamental recommendation in sales is - **COMMUNICATE, COMMUNICATE, COMMUNICATE! And archive your communications.**

2. Planning Orders, Planning Production

Today, even small or medium enterprises are commonly used to working with ERP/MRP systems, but these **are not designed for making turbulent changes in planning inputs**. It is necessary to realise that one of the outputs of ERP/MRP systems is the basis on which to make orders, which the purchaser and stockers then process and process throughout the next day or two, and if the basis for stocking begins to chaotically change “right under their hands” (from the outputs of re-planning the ERP/MRP tasks), great confusion can ensue.

For this reason, it is also desirable to **create** “by hand” (or, in sophisticated ERP/MRP systems, in the testing environment/mode perhaps) **a rough model of the possible variants of order planning for production and to thoroughly discuss the options, priorities, and risks** and weigh their importance even before back-planning/re-planning the orders in the ERP/MRP systems. Possible risks include the availability of human resources, the availability and primarily the feasibility of ensuring materials, cooperation, quality assurance, costs, and time periods.

Most companies manage to plan with the help of ERP/MRP in the “normal” regime but are not ready for dealing with external unpredictable and immediate on-line changes. All suppliers are dealing with the same, if not worse, problem. After making plans in the ERP/MRP system, it is necessary **to adhere to and continuously check separate control points of sustainability, and in the case of problems to immediately, clearly, and demonstrably decide on any necessary changes, and to implement such on the basis of central instructions** simultaneously with all of the involved subjects, and to inform the rest who are indirectly involved in this decision about the related changes. It is necessary to not conceal any information, and to appropriately archive the decisions and the reasons leading up to them.

Here, too, it is necessary to **communicate, communicate, and communicate** so that everyone who is affected knows unambiguously and in time what is happening, **what is being prepared, and what the eventual consequences are**. It is appropriate to maintain an operational staff for planning orders (of course according to the character of the company’s scope of business), where aside from planners there would be representatives of operational purchasing/supplying, sales and expedition logistics, production, technical preparation of production, quality assurance, finance, human relations, and that this staff would regularly report back to the highest crisis manager of the company. It is important to also visually

depict the state of orders, and to communicate their current state in a simple and clear form. On the contrary, in most cases, the top management of the company should not participate in this operative planning staff (at least not during the entire time it is meeting), since management should deal with more conceptual issues, with a greater detachment from the situation at hand. On the other hand, they should determine the priorities for the operative planning staff, and to give them conceptual instructions.

3. Technical Preparation of Production, Preparation of Orders

At first glance, the technical preparation of orders need not have much in common with the crisis, except for the changing priorities of processing and preparing orders. However, this area can play a vital role in searching for alternative technical and technological substitutes or exchanges in relation to missing deliveries. At the moment that planned purchased components cannot be delivered on time, but certain substitutes could be available, it is up to the technicians to quickly and flexibly ascertain the possible use of such substitutes, and in case they can be used, to implement the necessary changes in the documentation, as well (including the documentation of after-sales servicing and supplying spare parts). Similarly, changes to the technological processes may occur in those cases where, although the proper components are available, they were delivered later than was needed for the original technological sequence. Here, also, in the case of the non-standard use of components from suppliers, it is necessary to communicate such changes and it is wise to archive the communication in case of any eventual problems.

4. Purchasing, Supplying (Securing Resources)

It is quite probable that as the crisis lasts, significant problems in the supply chain will begin to emerge, especially when it comes to cross-border shipments. So-called cascade stoppages in supplies will not be an exception, and the direct supplier will not be able to provide goods on time due to the problems of their sub-contractors. Therefore, it is necessary to write out all supplies that will be necessary in accordance with the aforementioned conceptual plan, and to begin negotiations with suppliers as soon as possible to create enough stocks of key resources as quickly as possible.

Unfortunately, one can expect that the problems in sub-supplies will only increase even in the period after the viral contagion will have culminated, and this situation will probably last several months, and in the worst-case scenario, to the end of the year.

On the other hand, it is logical that it does not make sense to make a mass order of components for one's own products in case we know that we will not be able to order or gain some irreplaceable key resources for certain products under any circumstances in the

near future. Therefore, create a classification of purchased items according to their significance for your products, considering their availability. Thus, checking the feasibility of supplies should commence as soon as possible, and the purchaser should be in constant communication with suppliers and carriers. Of course, it is not exactly necessary to mention immediately finding alternative suppliers, because in this sense, Czech purchasers are quite adroit.

The question arises of what to do when suppliers have already been contracted, or eventually even paid in advance, the supplier provably has the goods, but gives preference to another customer, or, the goods are blocked or even requisitioned in another country due to the powers that be. In such cases, every piece of advice is deficient, but it is worth it to attempt to contact our commercial counsel at the embassy of the given country, and to eventually try to appropriately intervene. We know of one similar case when this was successful in a certain situation.

It is also possible that in relation to the crisis caused by the infection, the company will not have enough finances to pay for supplies - more about such cases is described in Chapter 9 Economics and Finances.

5. Logistics/Transport - Receipt - Storage

Based on our experience, we recommend checking the following key areas to ensure as continuous logistics as possible. Many issues in logistics are related to production, or eventually are very similar to those issues found in production. We therefore recommend that the issues raised in Chapter 6 - Production be also addressed in logistics. The points discussed in Chapter 5 pertain specifically to logistics.

External Partners (Contracted Transport)

- Do we have an alternative carrier in case our current carrier experiences a shut down in services? What is their contact information, and how quickly can we activate them? Do they have sufficient capacity to handle our current volumes, or do we have to also activate another alternative?
- How are they handling the hygiene of their employees and the prevention of spreading the contagion by the employees?

Own Transport

- How are we handling the hygiene of our employees in transport (they encounter many strange people, they are at great risk)?
- Is it necessary to start specially disinfecting vehicles when they arrive to their own grounds?
- What are the governmental restrictions in transport, and how can we adapt to them (state borders, regional borders)?

- What are the restrictions in the country to where the goods are headed, or eventually in the countries that my shipment is going through?

Warehouse

- In what manner is the unloading and loading ensured in terms of contact between the crew of the vehicle and the warehouse employees? How is documentation handed over to the warehouse employees?
- How will any shortage of employees be dealt with?
- One can also expect a problem on part of servicing organisations (e.g. forklifts) - in what manner will this be dealt with?
- What are the new governmental measures in terms of warehousing (if there are any or will be any)?
- What is the contact information for the Hygiene Bureau, or eventually the pertinent Veterinary Bureau - how do I communicate with them about new measures, and how do I realise them?

6. Production, Cooperation

Based on our experience, we recommend checking the following key areas in order to ensure the most continuous production operations.

Crisis Team

- Who directs production when there is a crisis?
- Do I have a replacement person for everyone on the team in case that a member of the crisis team falls ill?
- Is the manager and their representatives a sufficiently physical / “hygienic” unit in order to ensure that in case of the illness or quarantine of one of them the other will not also be “out of order”? Consider creating teams for managing each of the operations (red/blue), whereby the red is active at the workplace in the given week while the blue team is active working on home office, and they can rotate the next week.
- All names and contacts must be mutually known and published.

Resources

- Raw materials and resources, suppliers – see Chapter 4 Purchasing-supplying
- Power, water - is their supply in any way endangered?
- Do we have alternative sources (generators of electric power in case of blackouts, etc.), or eventually an alternative manner of supplying?
- How do we contact them, and what is the period of their activation?

Employees

- Transport of employees - how is the transport of employees to the production plant ensured - in the case that public transport will not be functioning, is there any way I can ensure the transport of employees?

- A sufficient number of employees - what are my key positions that must be covered, and what positions can I do without (e.g. Inspection, duplicate, projects, etc.)? Try to create an approximate idea of how to maintain production with an expected reduction in the ranks of workers by 20% or 50%, and under what extent is the shortage so great that it would be necessary to completely terminate the given production/operations?
- How can we re-allocate workers only to key positions in the case of their shortage?
- How can we change production processes so that we will not need as many employees (e.g. spread production out over time, realise only those orders with priority, etc.)?
- Checking states of health - how can we check the health of workers arriving for their shifts? Of course, this also applies to external workers and suppliers working on the grounds (cleaning services, maintenance, sub-contractors, etc.).

Work Environment

- How have we solved the issue of disinfecting common areas, cafeterias, and production areas in order to limit any spreading of the epidemic among our workers?
- Can we minimise physical contact between administration and production, or eventually between separate facilities (e.g. limited access to production areas)?
- Can artificial ventilation/air conditioning be reduced/turned off in the production process, and can it be replaced with natural ventilation?
- How can we adjust production meetings so that we can minimise contact between co-workers (distance between each participant, option of teleconferences, Skype, etc.)?

Other

- Consider prohibiting unauthorised parties (visitors, etc.) from entering production areas?
- Limiting the access of the employees themselves to the production areas if they are not directly involved in production (e.g. administration)?

7. Expedition of Products, Delivery to Customers, Pre-Sales Servicing

The recommendations for the expedition of products continues in the logic set out in Chapter 1 Business/Sales. In this case, it is important to be **aware of the agreed delivery parity for the handover**. And this especially for reasons of possible problems with shipping across borders. Again, in this case, it is necessary to communicate well, search for effective solutions with the customer that would be feasible for both parties, and to confirm the negotiated conditions (de facto by creating an annex to the contract/agreement), and to archive the communications.

At the same time, it is necessary to keep in mind the eventual conditions of taking over/inspecting the goods on the grounds of the supplier/producer by the representative of the customer. In case that the foreign representatives would not be able to inspect/take over the goods in person, it is possible to try to **agree upon soliciting the services of an international inspection company working in the Czech Republic**, whose written report would substitute the physical presence of the customer (however, it is necessary to negotiate in advance how the costs for procuring such services will be divided). In simpler cases, it is possible to **rely on high-quality photo documentation or other supporting measurement protocols and tests**.

A more complicated situation may arise in case that there is an obligation to set up the supplied equipment abroad, or to carry out pre-sales servicing there. If the company has any contracting partners on site abroad, it is simple. If it does not, it must try to negotiate with the customer that they must **organise this activity themselves according to your detailed instructions, processes, or based on on-line consultations**. If even this is not possible, then it is necessary to negotiate another date for leaving the country after the restrictive measures end. Again, it is desirable to confirm all such negotiations in writing and to archive them.

8. Aftersales Servicing, Warranty Claims

This area has two levels. For one, there is **the need to repair a malfunctioning machine** (whether in the warranty period or after), and secondly, there is the need to deal with any eventual claims (exchanges, repairs, financial compensations, etc. - in this case, primarily administrative tasks). Currently in the vast majority of cases, it is **in the primary interest to repair any malfunctioning equipment**, especially that needed for the immediate ensuring of a company's operations or for vitally important activities.

Such situations are simpler to handle when it is a domestic case (however, the issue of measures such as quarantine arises); foreign cases are more difficult, especially in those places where the company does not have contracts with servicing partners. Again, we recommend communicating well with the enduser of the malfunctioning equipment. **Discern the urgency and insistence of the repair, and mutually look for any improvised solutions**. The situation cannot be professionally underestimated, on the other hand, the American astronauts abroad Apollo 13 were able to repair the ship according to the instructions they received by radio, and to basically create new air filters without which they would have perished. **Today, we have communication tools of a much higher quality, so try to use them**. Of course, the client must agree with this, and mutually, you must **ensure the maximum degree of safety whether during the repair work itself, or during the ensuing operations of the repaired machine**.

We recommend determining the communication channel (and to publish it e.g. on your web site), where the client can contact you and where the communication will be concentrated with the objective of helping the client in the given situation, incl. providing adequate professional technical help.

Ensuring repairs also includes the eventual supplying of the necessary spare part; again, we recommend using the determined communication channel, and for repairing the pertinent equipment, a special logistics channel should be set up, which will take the rules described in the Logistics section into account.

In cases of the administrative handling of claims, you can, in case it is necessary, request that the partners wait until the period of the greatest problems caused by the coronavirus crisis ends. However, even here it is necessary to archive your communications well.

We recommend that when it comes to aftersales servicing, provide inventoring of open sales and servicing cases, analyse the contractual sanctions, penalties, etc. in case that the product is not delivered or delivered late, as well as the problems of putting the supplied machines into operation/pre-sales servicing, etc. All risks stemming from the concluded contracts must be COMMUNICATED. It is also necessary to continuously inform your clients about the state of orders/business affairs - see communication in section 1 - Business.

9. Economics and Finance, finance

Economic measures taken by the company can be categorised as urgent and as those with an impact in the long-term.

The most important point for ensuring the continuous operations of the company in times of great insecurity is to ensure enough finances for covering the obligations of the company. We thus recommend to not forget taking the following measures:

- Immediate communications with the bank - i.e. options of deferring loan payments, increasing operational financing, increasing the minimum balance of the company's accounts
- Ensuring the operational informing of the sales department about payments received, so that they can better work with customers
- Negotiating with suppliers about possible payment deferrals or payment in instalments
- Negotiating with the Social Security Authority and with the largest health insurance companies to defer payments
- Ensuring a greater amount of cash in the company cash box for possible operational solutions of emergency situations

Of the operational measures, we can also recommend a cash supply for any purchases of small, overhead materials, urgent financial aid to employees in the crisis, and to inform the employees that this option exists.

In more conceptual terms, it is a “system of performance management” that is one of the main macro-processes that serves as prevention for crises or for limiting its negative consequences. Some individual processes of this system also help manage sudden crisis situations, and thus reduce the extent and ensuing time period of the crisis.

In general, every company should have a managed strategic course, i.e. it must have its vision, a current strategic analysis of its internal and external stakeholders, the strategic goals and paths of meeting these objectives and of fulfilling its vision. **A part of this process also includes the strategic plan.** These activities should serve as a way of preventing any crisis from originating or to at least mitigate the possible impacts of the crisis. **They will not help in solving sudden crisis situations but shall become fundamental again when the crisis is quelled and one is dealing with its consequences, their minimisation, and the restarting of operations in the right direction.**



A company must prepare the annual plan based on the strategic plan. The most important reason for implementing planning is to include the entire company in planning its future. If I plan something, I begin to manage it. As a standard, these plans are included in the annual plan - the business plan, the marketing plan, the production plan, the purchasing plan, the repairs and maintenance plan, the plans of separate divisions, the personnel costs plan, the cash flow plan, and the investment plan. Every successful company creates a business financial plan and cash flow development plan for the purpose of the monitoring and evaluation of its activities; the situation is no different in times of altered entrepreneurial environment and in times of crisis. **In these moments, it is essential that the company has an overall sense of the possible developments in supplier-buyer relationships, employee costs, impacts of governmental measures, and the political situation in other countries. It is therefore necessary to create several alternative future developments in financing and in cash flow, using the scenarios and sensitivity analyses of each resource** (see, for example Chapter 1 Business - Sales or Chapter 2 Planning Orders - Planning Production). And monitor and manage the situation at hand with the help of these variants of crisis financial plans. According to the current developments in the situation of the coronavirus epidemic, we recommend making a 3-month crisis financial plan that has main priority, and that will rewrite or substitute the original business plan of the company for the moment.

Implementation of regular forecast updates is another important process. Introducing the look-ahead forecasting process has different reasons than the plan, see above. The overall forecast gives the enterprise timely information about the future developments of the enterprise and its stakeholders if the basic requisites change. Therefore, it allows the company to react and change its actions a great deal sooner than if they would wait for the actual (e.g. monthly, quarterly) results to be confirmed. Making updates to sales, the availability of materials and basic services, and the availability of employees are all fundamental. When a crisis develops, this process is second most important. We recommend changing the periodicity and frequency of forecast updates, i.e. creating the newest forecast. Now, in the “pressing phase of the crisis”, the forecast should ideally be updated every week, or, if circumstances should fundamentally change during the week, then also during the course of a week. All possible stoppages in the supplying of materials and of other resources, as well as possible delays in production in the case of quarantine, and furthermore, the cancellation or postponement of orders and delays in payments from customers should be included in this plan and in the forecast. According to the latest known version of the forecast, company management should decide, after receiving confirmation from the Financial Director, on the degree of amassing stock of finished products. Forecasts should also contain scenarios of developments in the given segment after the crisis ends - costs developments - both purchasing and sales, re-evaluation of planned or eventually realised investments, changes in the production plan according to the actual and future market needs and monitoring the competition’s developments.

System and systematic **risk management** is also a part of performance management. At times when a crisis begins, implementing a risk management system is the most important process to ensure a rapid and expert reaction, i.e. to ensure the minimisation of future losses. Companies who have created “Plans for Ensuring the Continuation of Operations, so-called Business Continuity and Business Resumption Plans” as a part of their risk management system have a certain advantage. As a rule, these plans describe situations in which they are activated (crisis staff, main and substitute headquarters, communication trees, manners and measures of crisis communication, ...). Detailed descriptions of reactions to standard crisis situations are often included in these plans, such as evacuation, invacuation (shelter on company grounds), pandemics (according to experiences with the bird flu), etc.

At times of crisis, we recommend establishing a separate internal order, and to cumulate all costs related to dealing with the crisis on it. Preventive measures within the framework of business continuity should be a part of the original company plan, e.g. costs for creating substitute headquarters and an IT data room.

The last element of performance management is **manager reporting**, which must adapt or completely change basically overnight in times of crises. In the case of pandemics, the new critical information is, for example, the following: the development of the epidemic worldwide on a daily basis, as well in the nearest proximity, in the company, with suppliers, customers, the new directives and restrictions of the government, the sufficiency of

disinfectants and protective gear... Of course, current information and new forecasts are also part of manager reporting, as well as fulfilling the crisis plan and the daily status of current risks. To have knowledge about the current governmental decisions on supporting entrepreneurs - interest-free loans, deferred taxes, etc. Communication with the financing banks, informing them of the company's situation and having eventual applications for higher operational financing ready.

It is already evident that the extent of this crisis will be exceptional, and that help from the state will be necessary in many cases. There is no shame in taking advantage of all options that the state offers to companies and entrepreneurs. Therefore, monitor the media and actively communicate with all institutions that will be authorised to administrate various forms of support and subsidies. Take advantage of the information provided by professional associations and unions to the maximum degree - these are very well-informed and should be able to help you gain the resources you need.

Finally, it is again necessary to remind you to constantly communicate - with banks/creditors, with suppliers, with customers, and with institutions, such as the revenue authority, etc.

10. Human Resources, Working with People, Unions

The measures related to the current quarantines, limitations to the cross-border movement of people, or eventually even the hygiene and healthcare measures, etc. are sufficiently described in other materials. However, it is necessary to realise that this **exceptional situation can even last for several months**, even after the acute phase of the viral contagion ends. It is necessary to suitably and gradually prepare the employees, but without initiating any panic or evoking any depressive states.

In order to minimise any risk of panic, we recommend that in the first phase of communications with employees about the measures to follow, that you tell them in the shortest period possible if this situation will mean any limitations to paying out wages and other benefits. If so, you should tell them of their prospects, what they should prepare for. Furthermore, you should determine and consult with unions and quickly communicate which weak groups of employees have been detected and how the company can help them (single mothers, families in quarantine, ...).

As for employee support - here, too, it is appropriate to **divide them into groups according to who is an key employee that must be present at the workplace, those who can work from home, and the rest**. Where possible, prescribe home office. Where this is not possible in terms of ensuring operations, and where the health and safety of people is not

endangered, create rules for the rotation of employees at work - e.g. more shifts for blue-collar workers, rotations after a half a day for some technical-economic workers...

The given situation creates and will create general stress, and therefore, it is necessary to **reduce this stress** using suitable means. The first tool is the **steady flow of clear and sufficient information given without the concealment or distortion of the situation**. The second tool is also **relaxation and distraction**. Not even during World War II did the front-line combat units have to be in constant direct battle. From time to time, they were replaced, and they retreated into the background, or the soldiers enjoyed outings, short leave, or stays at a rehabilitative or spa facility. Therefore, we need to take into account that after the main onset of the illness is over, it will be necessary to relieve the pressure put on employees in some way, and give the option of briefly regenerating their physical and mental energy, despite of the urgent need of immediately commencing to reduce the damages incurred by the company.

Unfortunately, both formal and informal plans for holidays this summer have been ruined, but all the more we need to count on arranging it so that all employees will be able to rest after the acute phase of the crisis is over.

A significant factor that can affect the stress situation within the company is **the manner of behaviour and the actions of key figures, especially the owners and top management**. If they handle their roles in this situation with determination, but also with a sort of nonchalance, they exude the natural authority of leaders in crises and they do not turn to chaotic micro-management, and they can give their employees a sense of security, and even in a certain sense, transfer their energy to them.

Good partnerships with unions can also play a significant role in this situation. After all, their role is more oriented on detecting what is usually for managers the less-obvious interpersonal affairs occurring between management and employees, or mutually between the employees themselves. Here, also, you need to communicate, communicate, and communicate. Even occasional mistakes or errors can be understood and tolerated if they are communicated properly and in a timely manner. This means that you should also provide employees **support while explaining how the government deals with material support in case of illness or the prolonged caretaking of a family member** and other current government directives or valid legislations treating absence at the workplace.

In the case that there is a shortage of a larger number of employees, try to contact universities or secondary schools/apprenticeship schools (preferably in your community, where there is a feeling of patriotism), and both teachers and students, who currently have less work to do. In many cases, you can also find help at a distance (e-mail, telephones, Skype, remote access...) in case of a shortage of capacities - project designers, IT specialists, constructors....

11. Internal Communications in the Enterprise

Functioning internal communication in times of crisis is fundamental, and places high demands on company management, including its psychological aspects, since managers must begin communicating more intensively and thoughtfully than they were used to. You will probably not be able to avoid unpopular measures, and if you want to retain the loyalty and work ethic of your employees, it is necessary to approach internal communications in the company very carefully. For example, **prohibitions and instructions that are not sufficiently explained cause fear and indignation and demotivate employees.** Once you sense an atmosphere of fear and stress, it is necessary to use calming “rhetoric”, best if supported by some calming facts (e.g. We have a sufficient number of orders, sales are looking into new opportunities, we have requested that the bank gives us an instalment plan...). But **do not promise that which you cannot fulfil.**

The significance of internal communications grows proportionally with the size of the organisation. Internal communication, whether we like it or not, is also a part of external communication. Employees and their families (and former employees) can have a huge influence on the image and trustworthiness of the company, especially locally within the region.

In crisis communication, one does not merely inform or instruct, but also influences and convince people. **Communication must be rapid (timely), up to date, but also consistent and thought-out.** In tense situations, **informing daily** has proven to be effective. Along with your management team, think through what is appropriate to tell your employees and unions, and what reactions you may expect. If the announcement is more complex, it is wise to prepare two formats of it - a more detailed and stricter version for technical-economic employees, and a more explanatory one for blue-collar professions. If you should decide for a directive, prohibition, or must announce a reduction in production, the number of employees, or wages, **always try to explain and give reasons for your steps**, and convince the people that these steps are necessary to save the company. The most sensitive issue for employees is wages - tell them in the shortest time possible if the situation may mean limitations in paying out wages and other benefits. If so, tell them what they should prepare for, if possible in advance by at least two months.

Establish a team of good communicators across the board of your main company activities/operations/divisions (they need not be just in top management), who will help you explain all information to employees and who will **give you feedback on how the employees have understood the news and how they have reacted.** Try to **prevent any rumours from originating.**

The form of internal communications should be as personal as possible, which is very difficult in the current situation of the coronavirus pandemic. Try to substitute physical presence with a more personal “tone” in telephone and electronic communications. Still weigh your words, your e-mail can be leaked out of the company. Use the usual information channels and tools that you are used to, but eventually implement a new or old-but-new one

to substitute the impossibility of meeting in person. If, for example, you have cancelled the use of bulletin boards, then purchase several and place them in various sites, or substitute them with electronic notice boards. You can record the announcements using a camera and send them as short videos or voice recordings, organise a teleconference, use Skype, etc. Introduce a newsletter or a simple company magazine/newspaper.

Use social media, even if it is not “your cup of tea”. Surely there will be someone in the enterprise who can help you. Social communications also fulfil the role of a relationship, allowing one to create social ties and sharing them in the social sphere (e.g. In the family, in the company, in the community).

For the first phase of communications within the company, we recommend creating one central, contact, information site (with the longest operating hours possible), through which all information about significant company-wide decisions will go (including suitable accompanying explanations), and where the documentation and archiving of all directives and related documents will occur. Here, the questions of those employees (even at a distance - perhaps from home) who perhaps have not fully understood could be answered, or who have not fully grasped the instructions or who need to refine their reactions in relation to their current needs. Rapid feedback to top managers/crisis staff should be ensured from this single contact point, if the reactions of those with queries hints at a more general problem in the company-wide communication, etc.

12. Quality Management Systems, Internal Regulations

This segment includes, among other things, the system of internal directives. **Internal regulations in the area of Occupational Health and safety are, in terms of the infection, in first place, and there is no way of circumventing them.** In terms of other regulations and processes, one must consider which are necessary and appropriate, and which on the contrary could come into conflict with the measures taken of dealing with the crisis situation. It is not suitable to issue (even indirectly by the management setting an example with its actions) any instructions saying that regulations should not be adhered to during the crisis. That would only cause anarchy and chaos. **If it becomes necessary to stop the validity of any regular internal directive, it is necessary to simply announce to what this exception applies, and from when until when it is in effect** (the government can do something similar in states of emergency).

It is common that in crisis situations, **operative instructions issued by the crisis managers** replace these suspended regulations (whether given orally or briefly in writing). They can evaluate the situation in a thorough and much more flexible manner than any prepared regulation, no matter how well it was prepared. These managers must also take full responsibility for their decisions.

When the crisis ends, it is possible to return to the normal state of things, and to evaluate the measures adopted and their effectiveness, and based on this confirm or amend, respectively the directive and processes for the future.

13. Managing "External" Projects (between companies, towards customers, etc.)

It is necessary to consider your priorities, whether it is necessary to continue in each and every project even in the current situation, or if it would be more effective to pause the project after consulting the external partner involved. At the same time, it is not appropriate to remain silent about any problems, on the contrary, it is necessary to explain the reasons for the delay or not meeting the agreed milestones, referring to the situation related to the contagion, and, de facto, force majeure. For these important projects, which shall continue to run despite of the crisis, it is necessary to determine only one point of information or channel for each project and to determine the rules of fungibility. Here, again, communicate and communicate, and it is also wise to properly archive all communications with external partners.

14. Corporate Infrastructure, Critical Infrastructure

Operative measures taken in relation to the viral contagion are presently being implemented in all companies. These measures include, for instance, limiting the access of strangers (visitors) to the company grounds, banning excursions, limiting business negotiations, obligations for drivers transporting shipments in terms of being equipped against contagion (masks, gloves...), and the strict compliance with such measures. Furthermore, the obligations of waiting in one's vehicle upon e.g. arriving to the company grounds, and when external drivers must remain in the cabin and await the arrival of the authorised employee who will manage the unloading/loading and who will have a surgical mask and gloves, or of taking the temperature of drivers arriving from risky regions, etc. are now commonly enforced.

Also, strict hygienic measures are being introduced in the area of catering, there are more frequent disinfections of sanitary facilities and locker rooms, management ensures that these hygienic measures are being observed (the personal example of management is very important) and that they have antibacterial liquid soap in all dispensers... It is important to revise these measures, as well as the processes of securing production complexes, including the staff working at reception or at the porter's lodge, according to the current situation.

All other procedures created for emergencies (fires, floods, massive blackouts and media failures...), including contacts, should remain valid, and the contacts of the hygiene service should be added. Also, it is necessary to ensure a sufficient awareness of all employees and

subjects involved in each separate process. In case of cleaning services, a heightened performance in terms of disinfection and cleaning, including the areas for transferring goods, unloading and loading, should be negotiated.

15. Corporate External Communication during a Crisis, PR

Even if you are overwhelmed by the quotidian management of new tasks and challenges, do not forget that you need to **communicate with your surroundings**, not only with your suppliers and clients, but also with those subjects that can possibly (and maybe even free of charge) help you - the Chamber of Commerce, the Confederacy of Industry, the Association of Small-to-Medium Enterprises, trade associations and organisations.

Determine your priorities in communication and in public relations (PR). Determine the target groups (stakeholders) that are important for you/your enterprise (both in good and in bad times). Aside from key suppliers and customers, also include bureaus and institutions that you have some obligations toward on your list (social security, health insurance companies, the revenue authority...). **Inform them of your problems and ask them if they know of any possible solutions.** For instance, the government has already declared leniency with some payments and in other matters.

Contact trade associations and unions, the Chamber of Commerce; they have their own apparatus that collects ideas from entrepreneurs and companies, and can transfer them “upwards” and in return give the companies information about their options, concessions, offers, etc. They organise seminars (some are for free), **and can mediate legal advice and other services that you may not know about at present.**

Also inform the major of your city/town about the company’s problems, especially if you are forced to curb or even stop production or the provision of services, impacting many employees or citizens. Maintain good relations in your region, even if you are struggling. You will be rewarded in the future. If, for instance, you have promised to sponsor something, assistance, partnerships with schools (training), or similar activities for which you no longer have the time or resources, notify them that the situation has changed as soon as possible. Look for compromises, because the good name of a company in a region takes a long time to create but is quick to be lost.

Determine the person who will be responsible for external communications and a “surrogate” in case of sickness, holiday, or travel. In smaller firms, this should be the owner, executive secretary, or director. In larger firms, it is possible to “nominate” a member of management, e.g. the HR Manager, the Marketing Director, etc. However, this **person must not only be able to communicate well but must also be well-informed** about what is happening in the company; it is not necessary that this be the owner or chief executive

officer in person. If it is necessary to communicate “on more than one front”, divided your tasks - who will communicate with whom and how, and mutually coordinate your communications so that **every external subject receives the same information at the same time**. At the same, it is necessary that **employees and trade unions are the first to be informed**, and only then should external subjects be informed.

You need not disclose everything that is happening, but **never lie or distort the truth**. Write down on paper every significant thing that you need to tell your stakeholders so that they understand you - **so-called key messages - understandable and clear**. Think through possible (negative) reactions, as well as your timing, but do not hesitate too much and **do not pretend that the crisis does not pertain to you**. Do not make light of the problem, but do not exaggerate it. In any case, do not promise the impossible, e.g. covering all damages.

If this is a larger company or a company that has a specific position, it should be prepared to communicate with the media even if they have yet to deal with a similar situation. You can no longer get by with a mere “no comment” in today’s world, and you will only do damage to yourself and your company. Communicating with the media has its specifics, and therefore, if you feel that you are not up to it, ask a professional to do it for you - someone, who will perhaps help you only as a consultant, which tends to be cheaper and often more effective. It is necessary to realise that a spokesperson or company specialising in PR must be thoroughly informed, and therefore you must dedicate your time to this, whereas communicating with the media, and selecting channels and the tools for evaluation and other reactions can be delegated to an expert, and you can dedicate your time to something more important.

Speed and precise information are key in crisis communication. There is no sense in keeping facts that will eventually come to the surface as secret. You can actually prevent the “pub gossip” that can greatly damage one’s good name by informing the public. When you announce that you have problems, **explain the reasons for them and try to always show that you are dealing with the situation and how you are dealing with it**, what you have already done to minimise the negative impacts, and what you are planning to do next.

You can also use external communications as a means of learning from other, similarly “affected” subjects, and eventually of gaining support - interim managers, but also experts who can be “transferred” as needed.

If for any reason you cannot communicate in person, communicate using other tools, thankfully, we still have many other choices available. **The main thing is to communicate with your surroundings!** The trustworthiness and image of a company is based on its “past” actions. If they were good, there is a foundation to build on.

16. ICT Systems

Social Networks and Web Sites

- If they are not necessary, restrict their use. Do your employees really need to use Facebook or YouTube in this situation? For security reasons, consider restricting access to unnecessary web sites.
- On the other hand, in today's day and age, the internet is an integral part of life and represents a primary source of information for many people. Therefore, it may be valuable to take advantage not only of web sites, but also of certain social networks to increase the awareness of people, informing them not only about internal issues but also about information from external subjects (state administration authorities, the police, the fire department, the hygiene bureau, and healthcare facilities).

E-mails

- Consider restricting access to personal e-mails such as seznam, gmail, ...
- Invoices (i.e. PDF or Word files that are often the source of viruses) can also be sent using a data box. Thus, request that your supplier send you such files in this manner. With a data box, you can be sure of the authentication of the sender, i.e. that they really exist and can be looked up.

Backup Copies (If you do not have rules set for this area)

- Unfortunately, we know from experience that those marauders with the least amount of scruples attack from behind at times of weakness (and our companies are currently at risk of being weakened by the viral contagion).
- Therefore, make backup copies of all your data on an external disk. Keep this first backup as the initial copy for any eventual future renewal from a point "before" the crisis.
- Then, continue to make regular backup copies at least once a week, but preferable once daily.
- On-line: make regular backup copies of important things
- Off-line: It does not help to have a backup copy on the network hard drive. Even network hard drives can be encoded during an attack. Therefore, make sure to have backup copies also e.g. on an external off-line drive.
- Check your backup copies from time to time. Are you really making backup copies, or do you just think you are?

Software

- It is necessary to have updated software, both your anti-virus software and your operational system (continuing to use WinXP is a really, really bad idea), but also other programmes - a chain is only as strong as its weakest link.

- These include not only updates made to computers, but also to, for example, network elements.

Hardware

- Limit the physical access of unauthorised individuals not only to the computers as such, but also, for example, to possibly connecting to the network using a network socket.

Passwords

- Change your default passwords.
- Use three types of passwords (for work purposes, for banking purposes, and eventually for your leisure time).

Pen and Paper

- In the case that all systems should fail, use a pen, paper, and common sense. This worked in hospitals that were hacked, so it will also work in your company.
- Pre-printed forms exist for basic agenda (issue slips, invoices,...).
- Remember that when the systems are renewed, in all probability you will need to re-enter all information. Therefore, make continuous notes so that you will not have to remember with difficulty what you issued to whom and for how much.

caim

This material was elaborated by experienced crisis managers in various expert professions associated by the **Czech Association of Interim Management**, and under the lead of crisis manager **Petr Karásek: Jana Dronská – Iva Hovadová – Petr Karkovský – Václav Korcan – Ladislav Musil – Pavel Pačes – Radek Řechka – Tomáš Rybička – Jiří Šmíd – Jan Žák**

In Dobříš on 16 March 2020

Contact of authors: Mr Petr Karásek, MBA, LL.M, petr.karasek@ascalae.cz; +420 602 580 595