

## Recovery

## COVID-19: Taking the first steps to Recovery

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As Wuhan, China, comes out of lockdown with manufacturing and businesses around the country slowly returning to some semblance of “normal”, and as signs emerge suggesting that Europe and the United States are nearing peak infection, governments, business, the media, economists and strategists have begun to look ahead to “recovery”. Still, these are uncertain times. The long term economic, social and political impact of COVID-19 remains unknown. On a practical level, how do we begin to plan for recovery?

First, while it’s a relief to start focusing on recovery, and to reimagine a future world of high growth, newfound digital efficiency and the return of global travel, we should exercise caution. Progress in the months ahead will be incremental – or, perhaps more realistically, disjointed and painstakingly slow. Infectious disease and pandemic experts all around the world warn against a rapid return to normal. Control Risks’ own analysis suggests a period of prolonged disruption for the next 6-9 months. Movements across borders – and even across our own front doorsteps – will continue to be restricted. Significant supply chain and logistics challenges will remain the status quo for an indeterminate period of time. The economy will enter a global recession and we will see deteriorating security environments as the pandemic curve continues to increase its incline in the developing world.

### There is no such thing as a “return to normal”

The road to recovery will be bumpy. We cannot expect the rapid “V” shape return to high growth that characterized the post SARS period. The best case scenario to plan for is one of “uneven global rebound”. This is what we will most likely see in the months ahead:

- Developed markets bring the pandemic under control albeit at different times, representing the various phases of pandemic infection curves we now see.
- A gradual but uncoordinated global easing of travel and movement restrictions.
- A slow and (mostly) controlled return to businesses re-opening.
- Elevated geo-political and security risks in developing markets.
- Global GDP beginning to rebound in Q4 – with some sectors rebounding faster and stronger than others.

Of course, we shouldn’t discount the worst-case scenarios, which would see 2<sup>nd</sup> and 3<sup>rd</sup> waves of pandemic infection, a delay in the development and distribution of an effective vaccine and corresponding waves of further lock down, supply chain disruption, geo-political and security challenges.

But when the world does recover – and it will – it will not be “business as usual”. We will be recovering from a period of extreme operational, financial and societal change, uncertainty and upheaval. Businesses that will accelerate their recovery will be those that can rapidly analyze, adapt and remain agile in the post COVID-19 market. And while it’s tempting to launch immediately into strategic assessments of the new world order, there is a critical first step on the path to recovery we must get right first.

### “Incremental Resumption” – the first step to recovery

Given the scale of disruption and the complexity of the recovery curve in different countries, success for the remainder of 2020 will be defined by how well businesses operate in a heightened and prolonged state of uncertainty. The objective is not to “return to normal”, but to redefine a steady state of business amidst continuing global disruption. Here are three key areas to focus on:

#### 1/ Align clear actions to your scenario planning and monitoring

Your ability to remain agile and adapt to rapid changes in the next 6-9 months relies on the strength of your scenario planning and the ability to monitor and forecast changing conditions. This requires both dedicated resources and advanced planning aligned with clear trigger points and actions.

- **Operationalize your scenario planning into priority areas** including, (i) customers/clients and demand (ii) operations, (iii) people and (iv) investors and stakeholders. For each priority area, identify the scenarios and actions that you need to be planning for over the next 6-9 months. Include scenario plans that consider the best case (prolonged disruption) but also the worst case (2nd and 3rd waves of infection throughout 2021). Aligning actions with financial forecasts and closely monitoring trends in demand and cost control will be a key component of this phase.
- **Have detailed risk mitigation measures in place** that ensure you can get ahead of the curve and create some level of certainty and control. For example, include detailed protocols for re-opening offices with pre-defined decision criteria. You will need to assume long term anxiety in employees and the need to continually monitor symptoms through robust health and hygiene screening. You will also need to continue to operate at reduced capacity for several weeks, or longer, in a controlled return, building contingencies for the provision for PPE, especially masks, and sanitizers. While you should follow the advice of local authorities, do not expect clear and consistent guidance, as we will continue to learn more about the epidemiology of COVID-19 on a regular basis. Instead, align the resumption of business with your own risk assessments of local transmission, the effectiveness of containment and contact tracing.

#### 2/ Get ahead of the changing risk landscape

The next 6-9 months are going to change our risk environment and expose hidden vulnerabilities that will delay recovery. One of the early lessons companies are learning from COVID-19 is the need for a more agile and data driven risk management process, one which allows organizations to rapidly adapt risk mitigation measures and response plans. Here are some of the changes to the risk landscape we see just around the corner:

- **Increase in insider threats from disgruntled employees and third parties.** Inevitably, companies will be restructuring parts of their business just to survive. This will mean cutbacks to staff, rolling back supplier contracts and potentially reorganizing supply chains – in other words, a lot of internal disruption that would typically be a potential trigger for an increase in physical threats, extortion, blockades and protests and, in some environments, active shooters. Combined with higher than normal levels of anxiety and concern about access to critical supplies, or job security, business leaders will be exposed to increased personal threats that require careful planning and mitigation as part of any restructuring or downsizing effort.
- **Physical and cyber security vulnerabilities.** We are already seeing a significant increase in phishing, ransomware and malware attacks as criminal groups actively target the vulnerabilities inherent in a sudden shift to remote working. It's necessary to increase training and awareness of cyber threat actors and to ensure best practice cyber mitigation measures are in place to avoid a scenario of a wide-scale system outage as you return to full operations. While physical security risks have so far been minimal, as local transmission spreads in underdeveloped economics and weak governments and healthcare systems crack under the intense pressure, prudent planning to support people and operations through deteriorating security conditions will be essential.
- **Compliance, fraud and disputes.** Similarly, we are already seeing signs of an increase in compliance risks. It is not uncommon to experience an increase in fraud in an economic downturn, but the added pressure on sales teams to recover numbers as quickly as possible, the prevalence of conflicts of interest in supply chains and the shortage of critical supplies and government services increasing demand for bribes will exacerbate the risk in the year ahead. The above issues - combined with the logistical challenge of physically getting to a site to collect and preserve evidence for internal investigations, - will make 2020 a demanding time for compliance and legal teams who may not have local resources in place.

### 3/ Restore supply chains in the short and medium term

The restructuring of supply chains for many companies was already on the radar throughout the US-China trade wars, but COVID-19 has sharply focused attention on the challenges of operating on a global “just in time” basis. The impact of the unavailability of people, of government restrictions on movements and business closures, has pushed supply chain fragility to its limits. Over the longer term, supply chains will likely become more local, forcing companies to think about production differently, but in the next 9 months, the immediate challenge will be how to ensure continued supply throughout ongoing, unpredictable disruption. This will require taking a proactive stance on the management of supply and distribution, using real time data to model logistics and supply chains constraints against future infection and lock down scenarios.

### Resumption, Recovery, Resilience

A dedicated focus on incremental resumption of business and managing long-term disruption is the first step to a full recovery. Throughout the next 6-9 months, capturing lessons and even conducting “in-flight reviews” to course correct and apply ongoing

improvements to optimize your go-forward COVID-19 response will better position you for recovery and building a more truly resilient company.

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This article was written by [John Macpherson](#), who heads Control Risks' Asia Pacific practices for crisis response and recovery, cyber security, business protection and resilience solutions.

