

CFOs, in a strategic position to support their companies and teams to overcome this crisis.

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Facing the Covid-19 crisis, CFOs need to make urgent decisions to manage cash and liquidities, control and even reduce their breakeven and prepare for a progressive recovery. Although it is hardly impossible to anticipate to what extent the business world and the civil society would be affected and change, CFOs are in a strategic position to support their companies and their teams to overcome this crisis.

CYLAD Consulting shares good practices and recommendations from Best-in-class companies, recovery and turn-around projects.

Four precautionary measures:

1/ Protect the team: As a leader, the first measures shall focus on people, protecting teams' health and safety while maintaining the operational flow.

2/ Manage cash reserves and liquidities: This is essential for the company resilience in the short run, to support the working capital need:

- Cut the non-essential expenditures. These are *no-regret* actions, i.e.:
 - Reduce SG&A (beyond the most obvious expenses such as travel expenses) and overhead.
 - Reduce general purchasing, i.e. stopping or rationalizing subcontracting not directly supporting the ongoing activity.
 - Reshuffle priorities and stop, freeze or reduce the non-mandatory projects.
- Reinforce and centralise the cost control, interrupting delegation to sign.

3/ Control & reduce breakeven: Beyond the precautionary measures, the purpose is then to scale down the activity, lower significantly the breakeven point to secure the company financial resilience. This complex action requires the full collaboration of the Executive Committee and such a cooperation is critical for success.

- What is critical for business continuity (to identify and protect), i.e. adjust the variable costs to the foreseen volume of activity, reduce the fix costs and adapt the workforce consequently
- What is not critical for business continuity, which shall be either stopped, frozen / postponed or reduced with regards to the associated risks. N.B. Implementing such a classification is also a good practice in normal times.
- Additionally, the management attention shall be raised to the need to make decisions considering also the qualitative aspects of the company workforce (e.g. skills, competencies, proficiency), whether it is internal headcount or external support. Ignoring this might jeopardize the capability to bounce back.

4/ Plan for a transition and progressive recovery: The companies that will take less time to recover from this crisis, would be the ones that will prepare and anticipate their recovery the best.

- **Internally:** Elaborate short and mid-term scenarios to determine the target volume of activity and required flexibility, analyse the impact of the crisis on the customers (activity / cash position / public aids...), on the market (capacity / price...), the cost of setting up safe working conditions, and the supply chain capability to survive. This could be very different per region of the world. A comprehensive financial modelling and sensitivity analysis enable then to identify the key options and turn points.
- **Externally:** In parallel, secure the supply base and customer financing in some cases, and especially critical suppliers. This is the opportunity to find new ways of working with suppliers, e.g. accompanying restart of the activities, sharing transparently the various scenarios and flexibility, establishing then a foundation for mutual trust and collaboration, reducing their cash exposure.

We hope these tips will help you save time.

Such a crisis, is also the opportunity to:

- Identify or formalize the need for a crisis management directorate,
- Seriously consider the interest to switch towards an activity-based controlling, making clear links between activity drivers, variable cost, fix cost and performance,
- Develop cash and P&L model of the company, based on activity drivers,
- Reconsider some of the budget controlling processes.

And moreover, provided the company financials allow, this might be the time to take some opportunistic positions for the future at reduced risk and cost.

On these topics, CYLAD can be your hands-on business partner.