Post MCO Reset

KPMG in Malaysia

April 2020
Foreword

These are uniquely testing times for us all. The speed at which COVID-19 has spread across the world and the severity of the disruption to the global economy are unprecedented. At KPMG, our absolute priority is the health and well-being of our people, their families and our wider community – just as is the case for your business. But in the face of this unusually complex crisis, we are also deeply committed to supporting our clients as they seek to safeguard their businesses on behalf of their employees, customers and the broader economy.

COVID-19 has and is still affecting every element of businesses, from the robustness of supply chains, to the stability of the financial markets, the availability of the labour force and the threat of rapidly waning customer demand. KPMG is standing side by side with our clients across all industries and sectors to ensure they receive fast, informed and highly practical guidance – drawing on the latest industry insights and learnings from our subject-matter experts based right across our network around the globe.

In this unparalleled and unpredictable environment, the key to business survival – and future success – is resilience and flexibility throughout the entire enterprise. The Financial, Operational and Technology aspects of the business must be agile enough to evolve over time and in the light of changing circumstances.

This guide sets out KPMG’s perspectives on maintaining enterprise wide resilience and some practical ways in which we’re equipping clients to tackle not just the current global health crisis but a raft of other fast-moving trends set to shape the business landscape for years to come. Whether you need a hard reset, or are transforming to re-emerge or are looking at modified business-as-usual, we urge you to speak to KPMG professionals and together work out the options suitable for you. Get ready to reset.

Anticipate tomorrow. Deliver today.

Datuk Johan Idris
Managing Partner
Beyond Covid-19: Embracing the “New Normal”

Post COVID-19, a new normal has to emerge. By now, it is fairly certain that the current downturn is fundamentally different from the recessions that we have seen in the past. This is not just another turn of the business cycle, but a shakeup of the world economic order. While countries and companies attempt to come to terms with the scale of this pandemic, it is evident that we are staring at more permanent, structural changes in the way we live, work and play.

The collective experience of going through this common crisis will lead to a fundamental re-evaluation of assumptions and priorities, which will be both a challenge and an opportunity.

We have summarised seven ways in which the business landscape could shift, not only in Malaysia, but the world around. Leveraging these will certainly help navigate the economically and socially viable path to the next normal:

1. The shift towards localisation
The supply chain disruption has brought to light the immediate and tangible impact of black swan events. That, along with the ongoing geopolitical environment and a globally recessionary climate is likely to lead to greater protectionism and risk aversion. This is expected to lead to greater localisation of supply chains, especially of essential commodities as well as for sectors that are perceived to be strategically important.

2. “Digital” gets a real push
Most companies have opted to work remotely and their employees are now ‘online’ and working from home. While these trends were already in-motion, they have now hit the fast-forward button. Even the most traditional brick and mortar organisations have been forced to experiment with digital channels. This presents a real and immediate opportunity to drive efficiencies through digital media. At the same time, this crisis has highlighted the importance of investing in enabling technologies like cloud, data and cyber security. This will change the way we work with far reaching implications on B2B, B2C, B2G services, commercial real estate, e-commerce, e-governance, cyber security, process automation, data analytics, self-service capabilities, etc.

3. “Cash is king” for businesses
This situation has proven, once again, that cash is king – companies that are over-leveraged and ‘living on the edge’ are the most vulnerable. The crisis has reiterated that it is important to be financially prudent and conserve cash.

Seven ways in which the business landscape could shift:

1. The shift towards localisation
2. “Digital” gets a real push
3. “Cash is king” for businesses
4. Move towards variable cost models
5. Building sensing and control tower capabilities
6. Supply chain resilience is key
7. Building agility
Beyond Covid-19: Embracing the "New Normal"

4. Move towards variable cost models
One of the biggest lessons, amongst others, is the importance of reducing overall business costs. One significant way to accomplish this is to convert fixed costs to variable costs wherever feasible. For instance, businesses will now determine what they must keep in-house, and explore outsourcing the rest so that fixed costs can be lowered. As with other trends, this will further impact the labour force and how they work, contract manufacturing, supply chain considerations, etc.

5. Building sensing and control tower capabilities
Alternate data can offer quick insights that traditional approaches and tools may not offer. This is especially pertinent for areas where information is scarce or erratic. The downside to this is also challenges such as short histories, collection systems that are prone to change, etc. Nevertheless, governments and companies have realised the importance of sensing capabilities, building transparency through 'digital control towers', 'digital twins' and the ability to process both structured and unstructured data. For instance, analytics companies are now mining alternative data such as traffic jams, food orders, etc. to track the COVID-19 shock. This trend is only expected to pick-up.

6. Supply chain resilience is key
While localisation is a trend we covered earlier, individual companies will want to ensure their supply chains are resilient to remain competitive. Risks to supply chains are numerous and continuously evolving. Hence, it is imperative that resilience capabilities are developed in order to respond to repercussions of unexpected events and either quickly return to original state of business or move to a new and better state after being affected by the risk and continue business operations as efficiently as possible. Achieving this will require initiatives from both internal business as well as from the wider network.

7. Building Agility
The ongoing pandemic is forcing countries and companies to take quick actions in the absence of perfect data, while remaining customer-centric, addressing employee needs and reinforcing stable team dynamics. It has also made them ponder upon the enabling mechanisms that need to be put in place to respond to any unexpected events in the future. Going forward, policies will need to evolve faster than the market and policymakers will need to be more responsive, inclusive and agile.

In summary, this crisis is a story with an uncertain ending. However, what is clear is COVID-19 has introduced new challenges to the business environment which call for a measured, practical and informed approach from political and business leaders. We also need to realise that COVID-19 is likely to lead to a new normal – being aware of and preparing for these shifts will help businesses and economies navigate in the post COVID-19 world.
Varying degrees of risk exposure to COVID-driven shifts will result in an “alphabet soup” of recovery patterns when viewed at the sector/company level.

- **“HARD RESET”**
  - Industries/companies which struggle to recover from COVID due to “permanently” lowered demand for offerings, insufficient capital to ride out extended recession, and/or poor execution of digital transformation.
  - Slow pace of recovery
  - High degree of “Permanent” change to industry economics/value chain

- **“SURGE”**
  - Industries/companies which scale post-COVID as consumer behavior that was altered during the crisis is sustained in their favour. Investors sense their potential to lead and provide capital to scale aggressively during recovery.
  - Fast pace of recovery
  - Low degree of “Permanent” change to industry economics/value chain

- **“MODIFIED BUSINESS AS USUAL”**
  - Industries/companies who will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
  - Moderate pace of recovery
  - Moderate degree of “Permanent” change to industry economics/value chain

- **“TRANSFORM TO RE-EMERGE”**
  - Industries/companies who will recover but along a protracted path requiring reserves of capital to endure and transform operating models to emerge stronger and more in line with changed consumer priorities.
  - Slow pace of recovery
  - High degree of “Permanent” change to industry economics/value chain

**DEGREE OF “PERMANENT” CHANGE TO INDUSTRY ECONOMICS/VALUE CHAIN**

**PACE OF COVID RECOVERY**

- **REACT**
  - Every firm must triage, then prepare for the likely recovery path for their sector.
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<tr>
<th>THEMES</th>
<th>Hard Reset</th>
<th>Surge</th>
<th>Transform to Re-emerge</th>
<th>Modified Business As Usual</th>
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</thead>
<tbody>
<tr>
<td>Ways of Working</td>
<td>• Cost efficiency of previous ways of working are scrutinised</td>
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<td></td>
<td>• Strong cost containment measures remain that sustain virtual work</td>
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<td>Labour Force</td>
<td>• Capital limitations create short term focus for labour decisions and limited automation ability despite significant opportunity</td>
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<td></td>
<td>• Many will fold particular business units or entire companies – significantly reducing headcount post recovery</td>
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<td>Digital Commerce</td>
<td>• Many temporarily closed organisations will collapse entirely due to reduced demand and digital competitors who have been able to grow and take market share</td>
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<td></td>
<td>• Companies looking to shift to digital commerce must deliver immediate ROI given capital limitations and losses sustained</td>
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<td>Supply Chain &amp; Manufacturing</td>
<td>• Significant change and re-negotiation to existing supply relationships, with some suppliers likely to permanently disappear</td>
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<td></td>
<td>• Disruption and digitisation creates opportunities to re-purpose capabilities to play different roles (up or downstream)</td>
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<td>Continuity &amp; Resilience</td>
<td>• Continuity takes form of survival - those that recover will embed within their rebuild efforts</td>
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<td>• Potential for more stringent regulatory requirements for businesses to be able to operate without government bailouts</td>
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<td>Environment &amp; Climate Change</td>
<td>• Reduced demand and production has created the unintended benefit of reducing negative climate impact, allowing organisations to focus on more pressing capital matters</td>
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<td>• Environmental initiatives will be overtaken by Social &amp; Governance (e.g. paid sick leave, healthcare) due to public pressure</td>
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<td>Debt Burden</td>
<td>• Sectors that are heavily indebted and are hardest hit, such as energy, will need to restructure debt</td>
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<td>• For better positioned organisations – industry consolidation opportunities emerge through significant de-valuation of competitors</td>
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<td>Globalisation</td>
<td>• Companies forced to make a “hard reset” might benefit from favorable government treatment if the sector is deemed to be in the national interest</td>
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### Projected Outcomes for “Surge” Quadrant

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| Ways of Working                 | • Greater remote options enable companies to grow their talent base to meet growing demand, unconstrained by physical limitation (location, office space) | • Decisions required to grow headcount to meet surging demand or leverage technology  
  • Access to capital creates opportunities to leverage abundance of top talent due to high unemployment  
  • Growing use of contingent work and talent platforms to meet growing demand | • Ability to respond to potential future pandemics becomes a point of competitive advantage – driving investment in tech infrastructure to enable virtual and split working |                                                                                       |
| Labour Force                    | • Building modular, agile and scalable capabilities that satisfy both time horizons  
  • Increased exploration of alternate sourcing, to diversify away from China, and/or towards localisation |                                                                                                                                  |                                                                                       |                                                                                       |
| Digital Commerce                | • Strong current economic positioning allows more aggressive adoption of ESG initiatives, while balancing interest of shareholders  
  • Well-placed going forward to attract ethically and environmentally-minded customers and talent  
  • Consider new environmental impacts of growth (e.g. increased energy usage from servers, increased plastics & CO2 emissions from delivery) |                                                                                                                                  |                                                                                       |                                                                                       |
| Supply Chain & Manufacturing    | • Private equity has plenty of “dry powder” and will likely become buyers of distressed assets  
  • Potential debt expansions through acquisition opportunities of distressed businesses for brand, IP |                                                                                                                                  |                                                                                       |                                                                                       |
| Continuity & Resilience         | • Multinationals have to balance local and international markets – potential for increased emphasis on local markets if consumer preference for localisation is sustained  
  • Increased competition from smaller organisations with local focus |                                                                                                                                  |                                                                                       |                                                                                       |
| Environment & Climate Change    |                                                                                                                                  |                                                                                                                                  |                                                                                       |                                                                                       |
| Debt Burden                     |                                                                                                                                  |                                                                                                                                  |                                                                                       |                                                                                       |
| Globalisation                   |                                                                                                                                  |                                                                                                                                  |                                                                                       |                                                                                       |
### Projected Outcomes for “Transform to Re-Emerge” Quadrant

#### THEMES

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<td>• Corporate travel and real estate are re-imagined as part of transformation</td>
<td>• Sustained investment in collaboration infrastructure, adoption of 5G plus Virtual Reality/Augmented Reality to reduce physical touch points</td>
<td>• Timeline brought forward on sizeable workforce automation and re-skilling</td>
<td>• Re-deployment and re-skilling strategies become key to transformation effort – long term view is needed on operating model</td>
<td>• Investment in digital talent needed</td>
<td>• Returning to traditional business model is hampered by reduced / changed demand</td>
<td>• Compelling need to explore disruptive business model innovation to meet changed consumer priorities</td>
<td>• Significant investment in enabling technologies (especially payments, AI, platforms)</td>
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<td>• Digital transformation initiatives will accelerate, forcing companies to reconfigure their supply chain (reevaluating their existing relationships and strategies) while reconstructing supply chains with a greater focus on transparency, agility and ethics</td>
<td>• Continuity and resilience are built into transformation effort</td>
<td>• Investment in technology infrastructure is key to new operating model</td>
<td>• Revisiting organisational structures to consider “modularity” to enable fast movement in future events (divestiture, separation, spin off etc.)</td>
<td>• Pressure for growth will make it difficult to prioritise ESG in the short term</td>
<td>• Business model transformation provides the opportunity to create sustainable, technology-enabled business models incorporating ESG values and providing differentiation</td>
<td>• Balancing payback of servicing mounting debt whilst funding large scale transformation</td>
<td>• Multinationals have to adjust to the new post-Covid realities and balance between local and international markets</td>
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<td>• Allocation of bailout funding towards remaining operational in current form vs. transforming to new form</td>
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Projected Outcomes for “Modified Business As Usual” Quadrant

THEMES

Ways of Working
- Percent of work delivered remotely remains well above pre-crisis levels, with employees indicating a preference for remote work
- Growing focus on addressing mental health and culture implications
- Sustained investment in enabling collaboration

Labour Force
- Automation imperative grows as a method to cover short term losses felt during crisis
- Enabling future organisational flexibility becomes a top priority

Digital Commerce
- Challenge of balancing the short term hits with long term investment horizons
- Crisis period provides opportunity to innovate offerings to capture consumers who will be breaking their ‘auto pilot’ purchasing behavior
- Differentiation becomes a top priority as competitors all become increasingly digital

Supply Chain & Manufacturing
- New relationships necessary for short term gaps may led to permanent long-term relationships, organically creating supply chain diversification

Continuity & Resilience
- Crisis creates catalyst for rethinking continuity and resilience in a modern and interconnected world
- Focus on efforts to ‘simulate’ recovery plans

Environment & Climate Change
- Challenge of increasingly polarised consumer base post crisis – short term financial challenges on consumers override their willingness to spend with environmentally conscious businesses
- Risk of doing nothing differently or an overly short term focus could be costly

Debt Burden
- Companies and households that can navigate through the crisis will see their debt-servicing ratios decline due to lower rates
- Post crisis – prioritise servicing debt vs. growth

Multinationals have to balance local and international markets – potential for increased emphasis on local markets if consumer preference for localisation is sustained
- Increased competition from smaller organisations with local focus

Globalisation
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Enterprise Reset

Financial
- Financial stress testing and forecasting
- Liquidity and financing
- Financial crisis response and contingency planning

Operational
- Governance
- Operational Crisis Management
- People
- Supply Chain
- Markets, Products and Services

Technology & Data
- Technology and data
- Cyber and fraud risk
- Customer experience and behaviours

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COVID-19 Enterprise Reset
Enterprise Reset

Whilst businesses have faced crises before, the crises caused by the COVID-19 pandemic is uniquely complex and unpredictable. Many businesses will have their crisis management plans in place, but the challenge now is how do you sustain a plan typically built for days and weeks to manage a period of extended uncertainty?

Businesses were already working hard to maintain resilience in the face of other fast-moving trends, including relentless technology innovation, extended supply chains and the ever changing customer expectations. In the face of COVID-19, businesses must now urgently assess all aspects of their resilience, hone in on the key issues and keep them under review for continued survival and success.

Maintaining resilience will mean taking an organisation-wide view across three pillars:

**Financial**
The ability to withstand the financial impact on liquidity, income and assets.

**Operational**
The ability to withstand operational shocks and continue to deliver your core business.

**Technology & Data**
The ability to respond to changing market and consumer pressures.

These pillars are interdependent and underpinned by multiple factors, with horizontal trusses such as management information and stress testing, thus providing the glue that holds the structure together.

Our guide sets out the challenges facing organisations, provides insight about best practice and outlines our view of immediate, medium and long term actions organisations should be taking. We share our experiences and explore practical ways in which you can assess, strengthen and plan a phased response, bolstering resilience through to recovery.

Our approach to an Enterprise Reset is designed to be adaptable to the dynamics of your organisation and will evolve over time to reflect the changing nature of this crisis, enabling us to share the breadth of our insights rapidly and efficiently.

Our assessment, which has been tailored to the issues of COVID-19, will result in a customised report providing practical considerations and potential actions to take. We believe maintaining resilience holds the key to protecting you today and being ready for the opportunities and challenges of tomorrow.

Without forgetting the importance of Program and Project Management, KPMG will help establish and operate command centres / taskforces, from program managers to advice and support with governance arrangements, compliance and data management.
Enterprise Reset

### Financial
- Financial stress testing and forecasting
- Liquidity and financing
- Financial crisis response and contingency planning

### Operational
- Governance
- Operational Crisis Management
- People
- Supply Chain
- Markets, Products and Services

### Technology & Data
- Technology and data
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COVID-19 Enterprise Reset
Financial Reset

The financial effects of the pandemic are reminiscent of the 2008 financial crisis, but with the stresses extended across every sector of the economy. Previously healthy businesses are suddenly coming under acute financial pressure. Without financial resilience, commercial and operational resilience cannot be maintained. Keeping this pillar strong requires companies to adapt existing financial frameworks to a more hostile and volatile environment in which profitability, cash flow and access to finance are coming under simultaneous pressure. The pillar is supported by three key themes:

1. Financial stress testing and forecasting
2. Liquidity and financing
3. Financial crisis response and contingency planning

Pressure is coming from all sides, as customers withhold settlement and suppliers demand faster payment. Managers unfamiliar with financial distress are struggling to recalibrate their financial frameworks, with many struggling to forecast cash flows, model their liquidity and identify downside risks effectively. For some, the likelihood of breaching financial covenants – or worse, experiencing a funding shortfall in the near term – is a further source of concern. To make matters even worse, this may be a multi-phase crisis with finances coming under pressure repeatedly over the next 12 to 18 months.

In response, businesses are taking their own steps to preserve and generate cash. They are also exploring external financing options with new or existing lenders, and understanding how to access the range of support initiatives that have been announced by the Malaysian government, i.e. the RM260 billion Prihatin Rakyat Economic Stimulus Package. (For more information see https://www1.treasury.gov.my/index.php/en/budget/pre2020.html).

Despite these moves, many firms are facing imminent financial crisis and some are already contemplating insolvency. The stimulus package will provide hope and assistance to many in the short to medium term. However, questions remain over business operations post COVID-19 and if businesses would be able to sustain the financial pressure, and survive in the longer term.

KPMG can help businesses to identify and manage the threats presented by the COVID-19 pandemic, and in the next few pages we outline some of the key steps that we believe organisations should take to maintain their financial resilience, if they are not doing so already. We also provide examples of the practical, outcome-based support we can offer our clients.

Please get in touch with your usual KPMG contact to discuss your situation in more detail.

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Financial Stress Testing and Forecasting (1/2)

Challenges and concerns
- Customers are hoarding cash, while suppliers seek faster payment
- Disruption is slowing revenue generation, while costs like salaries and maintenance remain fixed
- Cash burn is accelerating, but regular financial management data does not provide adequate visibility of short-term cash flow
- Defensive cash preservation and generation tactics are of paramount importance, but the timing and prioritisation of individual initiatives and actions is difficult to manage effectively
- Companies want to approach lenders and funders, but cannot demonstrate a clear view of their requirements
- Companies face the likelihood of breaching financial covenants and want to manage the risk early

Industry Insights
- Adapting cash flow models for uncertainty and disruption, revising them regularly – even daily
- Using short term cash forecasts to underpin resilience strategies and determine response priorities
- Using short term forecasting to engage with creditors and funders to seek forbearance and support

How KPMG is helping?
- Forecasts – implementing robust short-term cash flow forecasts, including dynamic scenarios and consolidation
- Stress testing – sensitising forecasts to model cash burn rates, cash reserves and facility headroom
- Workshops – facilitating ‘brainstorming’ sessions on cash preservation and financing options
- Diagnostics – data-driven programmes to identify short and medium-term cash ‘win’ opportunities
- Training – providing coaching on strategic and crisis cash management
- Finance requests – helping companies to prepare applications to new and existing funders and lenders

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Financial Stress Testing and Forecasting (2/2)

**Financial stress testing and forecasting**

**Short term**
- Set up a robust short term cash flow (STCF) forecasts at business unit and group level, reviewing weekly against prior forecast and outturn
- Reconcile the STCF with monthly financial forecasts including P&L, balance sheet and funds flow
- Assess enterprise-wide cash flow risks to spot potential downsides to the STCF, analyse them by timing, quantum and probability
- Identify rapid, achievable ways to reduce costs and preserve cash and classify them as:
  - **Green** (‘no regrets’): e.g. maximising existing supplier payment terms
  - **Amber** (‘counter to Business As Usual’): e.g. deferring capital expenditure on growth projects
  - **Red** (‘last resort’): e.g. closing or reducing operations
- Match cash mitigation initiatives to STCF risks, based on timing and quantum
- Assess the impact of cash flow scenarios on cash reserves, facility headroom and financial covenants, revisiting weekly
- Initiate early discussions with lenders or funders if necessary, supported by forecasting packages that combine monthly reports, STCF forecasts and potential risk scenarios
- Align tax estimates and instalment payments with forecasts

**Medium term**
- Forecast the full P&L, balance sheet and cash flow effect of hibernating then re-awakening parts or all of your business. Not only will it help you in the contingency planning exercise you should be undertaking, but your stakeholders will expect you to have done so
- Put short term cash flow on the agenda of monthly Executive or Board meetings, allocating cash flow targets outside the Finance function
- Consider early discussions with lenders and funders if forecasts predict a funding shortfall beyond the horizon of the STCF

**Long term**
- Assess the potential impact of short-term disruption on longer-term financial behaviour by customers and suppliers
- Reengineer customer journeys and processes to take account of altered behaviours

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Challenges and concerns

- Uncertainty over demand and supply chains is creating liquidity pressure across the business
- Previously healthy companies suddenly face running out of cash in weeks or months
- Managers without experience of business distress are unsure how to mitigate liquidity pressures
- Government stimulus packages are evolving fast, but concerns remain over eligibility and sustainability in the longer term
- Accessing sufficient debt facilities to meet liquidity requirements

Industry Insights

- Companies are temporarily halting payments, with some seeking to cut costs - often by reducing staff - even before seeking clarity over funding options
- Best in class businesses are refreshing cash flow forecasts and looking at available mitigations
- Firms are drawing down available credit
- Businesses are assessing financing strategies / options and approaching lenders to access or amend debt facilities or participate in the Government-backed financing facilities
- Extended concessionary deadlines have been introduced for the filing of tax returns and payments
- Availability of various tax incentives to promote investment such as enhanced capital allowances and special tax deductions for qualifying expenditure
- Companies enjoying existing tax incentives are engaging with the tax authorities to discuss the their ability to meet the attached conditions (e.g. minimum spending, production or staffing levels)

How KPMG is helping?

- Identifying options to meet funding requirements, including advising on eligibility for government backed financing facilities and how to approach lenders
- Structuring requests to lenders for funding or amendments to financial covenants succeed within timescales available
- Providing strategic, financing and legal advice to assist in the negotiation of terms, drafting and implementation of financial documentation
- Supporting financial stress testing, cash flow risk assessment and modelling of mitigation options to assist businesses in presenting the implementation of proactive self-help measures when seeking additional funding.
- Liquidity planning - supporting the design and execution of cash flow management plans, to demonstrate ongoing ‘liquidity grip’ to lenders
- Supporting companies’ negotiations with key stakeholders and funding providers
- Tax – providing insight on available reliefs and incentives, evaluating tax planning strategies, supporting companies in their discussions with the tax authorities, assisting with key areas such as transfer pricing and tax dispute resolution
Financial stress testing and forecasting

Liquidity and financing

Financial crisis response and contingency planning

**Short term**
- Draw down all existing funding lines to maximise available cash
- Take a holistic view of the full range of internal and external options to support your liquidity, including 6-month automatic deferment for all loan/financing repayments beginning April 2020
- Identify and risk grade those levers which can be used to accommodate different scenarios. This will illustrate to lenders proactive identification of risks and steps taken to mitigate
- Assess baskets and triggers under existing financing documentation
- Evaluate funding strategies, options, markets, lenders and other sources of capital in order to meeting your funding needs in the timescale available
- Approach lenders both on financing facilities backed by the Government (where eligible), and in connection with wider lending support they may be able to offer outside of those.
- Engage with relevant stakeholders on support provided by the Government (e.g. Wage Subsidy Programme, restructuring and rescheduling of employer’s EPF contribution)
- Review tax compliance processes to maximise cash, ensuring claims for all tax reliefs and incentives have been made
- Engage with other significant 3rd party creditors on payment deferral options, e.g. with landlords on rent
- Set up spending freezes and tighten authorisations to limit spending
- Brainstorm a “self-help plan” to preserve and generate cash, and initiate actions in conjunction with all key functions

**Medium term**
- Establish a cash-focused culture across the business, valuing cash over profit
- Develop financing and lender engagement strategies to support the business with the funding or flexibility to trade through and out of the COVID-19 crisis
- Engage with lenders or alternative funding providers to maximise total available headroom, if required
- Set up a central cash management team (or individual) responsible for embedding cash maximisation processes
- Establish an Executive level cash committee
- Work with suppliers to understand their funding pressures and how they may impact your operations
- Keep abreast of any developments in the form of new / enhanced tax incentives and economic stimulus measures

**Long term**
- Embed robust short term and annual cash flow forecasts into budgetary and financial management cycles
- Consider ways to optimise funding arrangements for a less certain future
- Establish a sustainable strategic working capital programme to ensure that liquidity is optimised under normal and stressed conditions
- Put in place long term financing to support a return to normalised trading conditions, including investment and growth
Financial Crisis Response & Contingency Planning (1/2)

Challenges and concerns
- Despite taking all available actions to preserve and generate cash (such as delaying payments and accelerating receipts), some short-term cash flow forecasts are showing imminent funding shortfalls emerging.
- Eligibility criteria for certain government support packages and timing of cash aid remain as key concerns for many businesses.
- Other refinancing options with lenders are becoming limited, will take time to arrange, or may already have been exhausted.

Industry Insights
- Businesses in immediate cash crisis are taking steps to preserve cash balances by restricting payments to only the most business-critical vendors as they mobilise contingency plans.
- Companies in a variety of sectors are considering various solvent financial/corporate restructuring options, founded on support from key stakeholders, lenders, landlords and various schemes offered by the government, although owners of businesses in acute financial distress continue to worry over the operations post MCO and post COVID-19.
- While some businesses have made quick changes during the MCO period (e.g. riding on food deliver services, e-commerce), there were also businesses which have highlighted their distress and inability to survive post MCO.

How KPMG is helping?
- Contingency planning – advising on and modelling comprehensive contingency scenarios.
- Supporting businesses implementing solvent financial/corporate restructuring plan with key stakeholders’ support as a primary contingency option.
- Working with Government agencies and regulators on additional support measures to help Directors of challenged companies implement other relevant contingency options, including insolvency, where necessary.
Financial Crisis Response & Contingency Planning (2/2)

**Short term**

- Consider solvent financial/corporate restructuring, which entails the following:
  - Review current business model to achieve an optimum business model considering possible disposals, joint venture, joint business arrangements, etc.
  - Review current corporate and capital structure and consider if further capital funding is required from the existing shareholders or new investors
  - Engage with lenders on possible restructuring of current borrowings and eligibility for new financing
  - Review existing projects’ viability, where relevant, and consider whether there are gaps in the financial projections (incorporating business outlook/cash flow capacity vs. the existing financial obligations of the companies
  - Review existing tax structures and maximise tax benefits where possible
  - If insolvency looks unavoidable, carry out contingency planning to decide on the most feasible strategy (i.e. administration or liquidation) to protect value for creditors. Get legal advice on insolvency options. Possible insolvency regimes include administration and liquidation
  - Directors should consider their duties in a financially distressed situation, for example:
    - The duties owed by directors’ shift from shareholders to creditors
    - Personal liability and disqualification risks should be considered
    - Wrongful trading or ‘trading irresponsibly’, a civil offence, should be avoided
    - The duty to ensure employee health and safety continues, including taking reasonable steps to control the spread of COVID-19

**Medium and Long term**

- Not applicable
The fundamental importance of operational resilience is understood by businesses that have faced crisis situations, whether in the form of major IT outages, cyber-attacks, geo-political incidents or any number of physical events such as severe weather, fire or floods. Almost overnight, COVID-19 has become the single greatest threat to the continuity and existence of many businesses. The maturity of an organisation’s operational resilience now has the very real potential to dictate whether an organisation will survive.

COVID-19 is causing unprecedented operational disruption. Organisations are unable to deploy their people effectively. Supply chains are being tested to an extreme extent, and access to premises and physical assets is severely compromised. This disruption and the consequential reliance on remote ways of working are leading to knock-on impacts in terms of the resilience of technology, data, legal affairs, revenue and taxation.

COVID-19 is causing significant disruption to organisations’ workforces. Illness, and the need to self-isolate and care for others, will result in large numbers of people being physically absent from work. Supporting the wellbeing of an organisation’s people, both physical and mental, over the coming months will be urgent priorities for business leaders.

They are already responding with flexible working arrangements and prioritising the direction of resources – often into new, adjacent or alternative activities – to meet new and emerging operational needs. The best leaders are also thinking about their personal resilience and taking steps to secure and support deputies as well as protecting their own physical and mental wellbeing.

The resilience of supply chains, both upstream and downstream, will be critical to the continued and effective management of business operations. The impacts of COVID-19 will see contracts unfulfilled, with the likelihood of force majeure clauses being invoked. This will create broader consequences for the availability of goods and the provision of services. Managed Service providers will come under pressure as call centres are expected to encounter staff absences and lockdowns, and data centre operations and engineering support becomes challenging.

Under severe operational stress, organisations will need to make important priority calls. Deciding which products, services and processes should be kept operational. In these circumstances, firms will need to understand their prioritisation criteria, what constitutes the minimum viable business model, and develop a viable recovery strategy. It will have implications for staff, involve potentially difficult discussions with customers and suppliers and the potential closure of select sites and facilities. Legal and regulatory implications are also almost certain.

Add in the heightened threat of cyber-attack during the period of COVID-19 disruption, and exploitation by organised and opportunistic criminals, and the operational hardiness of businesses will be roundly tested.

Please get in touch with your usual KPMG contact to discuss your situation in more detail.

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Challenges and concerns
- Unclear risk impacts and factors on day-to-day strategic decision making.
- Embracing new roles and responsibilities in managing evolving risks by company boards and management.
- Lack of policies and procedures to cater for contingencies resulting from the fallout of epidemics or natural disasters.
- Equipping organisation leaders with technology capabilities and move away from traditional ways of communication.
- Restoring public confidence as rising perception on ‘the blame game’ towards board and management due to poor risk oversight during MCO.
- Legal implications and challenges arising from cancellations of Company Annual General Meetings (AGMs) and government waived obligations on AGM approvals (dividend payments, capital raising authorities, etc.)

Industry Insights
- Companies are encouraged to leverage on existing technology to develop a ‘hybrid AGM’ in order to allow maximum access while retaining the ability to hold boards to account by providing physical attendance.
- Companies may miss short-term and long-term incentive plan targets given the market and economic conditions. This will have significant implications for pay awards granted to executives.
- Companies are now needed to reassess capital allocation as unexpected and new costs might surface post MCO such as expenses in putting in place new policies and procedures for stronger future disaster recovery measures.
- Companies are developing a handbook / guide to monitor employee daily health and well being and come up with countermeasures to prepare for resurgence of pandemics such as Covid-19.
- Companies are now relooking at the performance management and remuneration by placing higher emphasis on merit, idea contributions, shared sacrifice and tailoring of performance metrics to better adopt remote working as a new way of working.

How KPMG is helping?
- Establishing governance across the board and leadership team in terms of behaviour, roles and responsibilities to navigate post peak environment and avert mass recurrence.
- Empowering organisations to harness technology as an enabler to establish business continuity and minimise business disruptions.
- Refining and implementing improved policies and procedures accompanied with guidelines to foster long term resilience and embed new ways of working.
- Developing strategies regain shareholder confidence and reduce blowbacks caused by potential implications on inability to achieve short and long term incentive plans to executives.
Short term

- Demonstrate “open leadership” and “brutal honesty” by directors and senior management in communication on the state of business affairs and socialisation of action plans to key stakeholders.
- Set up an emergency board and management succession plan to ensure business is able to run as usual in the event of board members or C-suite leaders become ill.
- Establish workplace management and travel which focus on safe distancing, employee hygiene practices, regular disinfection of premises, personal protective equipment (PPE) for frontline employees, arrangement of sick leaves, request to work from home by asymptomatic individuals and declaration of unavoidable travel plans.
- Establish procedures on identification and isolation of individuals, employees to report when feeling sick or experiencing COVID-19 symptoms, etc.
- Conduct temperature check, screening of visitors and contractors that enter the premises and meeting arrangements.
- Keep all the screening records and COVID-19 cases, reporting to the Ministry of Health (MOH) and relevant regulators for announcements, etc.
- Keep abreast of the development of Covid-19 and the relevant regulatory changes from government.

Medium term

- Reinforce awareness of ethical business conduct amid the uncertain external environment.
- Strengthen risk and compliance measurements, and constantly monitor and update it.
- Deploy technology to facilitate Annual General Meeting (AGM) for shareholders who are not able to attend due to self-quarantined or ill.
- Apply extension of AGM to Companies Commission of Malaysia if necessary on the grounds of compliance with government’s advisory note, lack of quorum or the company needs to take preventive measure as a result of the Covid-19 outbreak.
- Publish annual report and quarterly report by 30 June 2020.
- Continue to keep abreast of the development of Covid-19 and the relevant regulatory changes from government.

Long term

- Refine the Business Continuity Plan (BCP) for recalibration of strategic modalities, supply chain options and organisational-wide budgetary adjustments.
- Review business goals and balance scorecards of each business unit based on the forecasted economy growth.
- Review remuneration and emphasise on merit and shared sacrifice.
- Embrace digital co-creation model in the business workings and instituting cyber protocols and security measures.
- Establish guidelines and policies on the usage of electronic signature in entering contract.
Challenges and concerns
- How can we work through the future scenarios and make sure we can anticipate the implications?
- We must identify key customers, products and services, and accordingly streamline businesses
- We need to determine the minimum viable business model, its structure and financial viability
- We need to identify our resourcing approach, and how we flex staff from non-core to critical business functions
- Which parts of the business need to be temporarily closed for the survival of the overall business and what are the work around for us and our customers?
- How do we communicate decisions and underlying reasons to shareholders, financiers, regulators and staff?
- How do we minimise reputational damage and financial losses?

Industry Insights
- Discipline is needed to operate a "gold" and "silver" crisis management model – keep the "gold" team focused on strategic and longer term issues – empower "silver" to manage day-to-day, and to trust people
- Focus on what the core of your business really is that you need to protect – and be ready to flex resources, financial and human, to protect it
- Getting consistent communications out matters – internal and external. People need a trusted and definitive source of advice in these times of uncertainty
- Make sure everyone is working from a single version of the truth. It is easy to lose track of the actions being taken, and the decisions that are being made in a fast-changing crisis
- Beware of suppliers failing as liquidity pressures mount and movement restrictions bite. You may find yourself dependent on suppliers you don’t expect.
- Expect that you may burn people out, watch for it, designate deputies, and try to persuade people not to be superheroes, it is not sustainable for the long term
- Ensure feedback and continuous improvement mechanisms are in place. You may find yourself working through similar issues on a repeated basis, as the crisis unfolds

How KPMG is helping?
- Coaching organisations in crisis management practices
- Augmenting crisis management teams to provide extra capacity and specialist skills
- Bringing communities together to share good practice and provide mutual support

COVID-19 Enterprise Reset
Operational Crisis Management (2/2)

**Short term**
- Review key risks, modelling impact on near term working capital and liquidity, and prioritise contingency planning.
- Create a governance structure to allow senior executives and the board to maintain a strategic and cross-functional approach to crisis management and for an extended time. Consider how you would handle a second concurrent incident such as a cyber-attack during the pandemic period. Agree how crisis management teams will communicate across the organisation.
- Identify your minimum viable business model, determining core processes, vulnerable customer groups, product and supplier.
- Determine who are your key staff, who are their deputies and how they are supported.
- Create communications protocols to communicate with customers, suppliers, media, employees, and regulators.
- Determine the spokesperson and key decision maker for the organisation’s response during the crisis.
- Build channels for your employees and customers to raise concerns and use social media as a communications channel.
- Establish an interim control set across critical business functions starting with people, crisis and incident management protocols, expand into cyber risks, and then focus on establishing the same for extenuating circumstances across finance, supply chain, IT and other operational areas.
- Agree which sources of external information provide insight during the crisis.

**Medium term**
- Keep communicating information, decisions and actions for key stakeholders and agree what communications and updates will be provided to regulatory bodies.
- Create situational reports of what has happened, what is happening and what might happen.
- Consider customer attraction and retention strategies.
- Develop rosters for core members of the crisis management team to handover to deputies.
- Analyse how suppliers and third-party providers such as call centre providers, cloud providers, and facilities managers are delivering their service and whether alternate suppliers need to be found.
- Log key decisions and actions, monitor status of information sent to key stakeholders and their responses.
- Continually review status of employee’s morale.
- Monitor social media messaging by internal and external stakeholders.

**Long term**
- Don’t assume the crisis is over.
- Continue developing multi-disciplinary approach as crisis evolves and ensure lessons learned/feedback loops are in place to further enhance your crisis management framework.
- Consider impact of team members being pulled into tactical issues as time goes on.
- Assess how to maintain staff morale and energy levels throughout the ongoing crisis.
- Continue to engage the regulators and the legal team on regulatory reporting requirements.
- Consider the design and implementation of an enterprise-wide resilience framework, leveraging leading practices from peer organisations and other sectors.
- Manage the transition from crisis to normal business.
- Recognise and embed the best practices you have developed during the crisis.
Challenges and concerns

- **Compassion**: First and foremost, organisations need to consider the impact of COVID-19 on individuals and families. The stress of working from home, cut off from fellow team members, can compromise physical and mental wellbeing.

- **Capability and Capacity**: It’s difficult to meet the operational needs of the business and deliver adequate bandwidth and remote-working capabilities when staff absences and availability are unpredictable and demand is shifting, resulting in a need to rebalance teams. Organisations need an effective workforce management capability to optimise resourcing options including flexible working, contingent and managed service provision.

- **Cost**: Many of the changes we are making to the way of work being done now will be long lasting and, therefore, need to be considered strategically as an investment (rather than a knee-jerk reaction).

- **Connectivity**: Individuals need to feel connected, engaged and motivated in order continue working effectively, and this requires digital tools and applications that people know how to use.

- **Compliance**: Commercial and pragmatic business responses to this crisis situation need to be balanced against the need to ensure all decision making in relation to people is compliant with tax and legal obligations and that directors are aware of their duties.

Industry Insights

- Where appropriate, upskilling and redeploying teams to accommodate variable demand and shifts into new and critical products and services.

- Initially splitting the workforce and assigning duplicate roles so that teams operate on alternative days or at different sites, and gradually moving towards closing physical sites and working from home or considering alternatives for services where working from home is not an option.

- Encouraging increasingly flexible working and helping individual employees depending on circumstances, e.g. extending access to private healthcare and reduced working hours for employees with children at home.

How KPMG is helping?

- Understanding and interpreting the implications of rapidly evolving government legislation and communications for business and individuals.

- Helping leadership and internal communications teams to plan and deliver engaging and supportive communications messages and channels/tools.

- Supporting organisations with peak resource augmentation / managed service provision.

- How to upskill employees rapidly to flex with demand.

- Support in the development of workforce management capabilities.

- Employer, Director and employee tax, legal and compliance advice.

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**Short term**
- Check in with each individual employee on their personal circumstances through team leaders and managers
- Deliver leadership broadcast communications e.g. via Microsoft Skype, Teams, WebEx etc.
- Proactively drive lines of communications with people via email, intranet, chat rooms, etc. to provide reassurance and manage expectations
- Identify business-critical roles and ensure coverage planned
- Address immediate network and technology issues affecting individuals’ ability to work
- Provide access to HR specialists to answer personal questions
- Review HR and people policies in response to changing regulation and government guidelines
- Appoint a COVID-19 committee to support the board in responses and decision making
- Avoid any short-term ‘knee-jerk’ decisions in relation to resourcing and costs without thinking through the impact on employee well-being and longer-term protection of jobs

**Medium term**
- Continue to check in with individuals and provide HR specialist support
- Implement a communication plan providing a regular rhythm of communications with established Q&As and help sites for all employees
- Implement team focused tools and techniques to improve communication and collaboration
- Understand where demand has increased or fallen and adjust workload across the workforce where possible or consider alternative options for change
- Monitor levels of sickness to pre-empt geographical trends and peaks
- Engage with sources of resource augmentation – contingent workers, SMEs and managed services to understand what can be delivered and associated cost models
- Consider ongoing impact of employee experience or customer experience
- Consider and manage operational and reputational risk, tax and legal implications of the people challenges raised by COVID-19 including home working and flexing resourcing

**Long term**
- Follow the global trend from role-based to skills-based organisational design
- Build internal workforce management capability
- Invest in homeworking technologies and connectivity
- Revisit employee experience design based on new normal of employment and work
Supply Chain (1/2)

Challenges and concerns
- Lost revenue and poor customer service due to failure of supply
- Limited understanding of who supplies the raw material or sub-assembly components
- Limited time and resource to develop contingency supply options, including cost, timings and manufacturing facilities
- Limited understanding of how much working capital stock may be tied up in logistics routes, impacting operations and liquidity
- Managing high risk contracts with suppliers/ service providers
- Limited understanding of inventory cover
- Operations staff are stretched with the reduced workforce; back office and fulfilment teams may be deprioritised with subsequent backlogs

Industry Insights
- Undertaking end-to-end supply chain and supplier mapping projects
- A shift towards supplier partnerships
- Increased scenario for inventory and route optimisation modelling
- Continuous conversations with service providers and suppliers to ensure continuity of supply
- High level of dependency on niche suppliers
- Need to review supplier risk assessments and do not assume they are the same as their pre COVID-19 assessments
- Assess security and capacity issues of Managed Service Providers (including call centre operations)

How KPMG is helping?
- Supplier risk assessment, including exchange-to-exchange supply chain mapping
- Support with supply chain reconfiguration
- Supply chain risk assessments
- Developing contingency supply options, including costs, timings, supply routes and manufacturing facilities
- Scenario planning and modelling, with working capital and inventory analysis
- Advising clients on taxation position and deferral payment opportunities from any changes in suppliers, inventory storage and locations considering customs duty and import tax
Supply Chain (2/2)

**Short term**
- Establish a team to focus on supply chain assessment and risk management
- Communicate with critical suppliers and understand their plans to fulfil and prioritise
- Mobilise additional people as quickly as possible using capacity planning techniques
- Identify components and raw materials that have the highest impact on revenue stream and allocate scarce capacity wisely
- Prioritise your demand
- Communicate and collaborate with sector providers and local businesses
- Reconfigure global and regional supply chain flows
- Map criticality of sourced materials to high-value products and revenue streams
- Understand contracts with critical suppliers – liability (such as with supply shortage), contingency, operational continuity clauses, duty cost and other taxation liabilities.
- Aggressively evaluate near-shore options to shorten supply chains
- Take proactive action to address anticipated shortages
- Determine business exposure by identifying current and buffer inventory
- Review taxation impacts on changes to supply chain such as customs duty and sales tax
- Focus and prioritise all available people to front line operations

**Medium term**
- Work with critical suppliers to contractually agree necessary buffer stock, so as to reduce sudden price increases in the face of an event
- Assess risk factors that may escalate costs and impact service and inventory capabilities
- Establish digital supply networks for organisations to become connected to their supply network for end-to-end visibility, collaboration, agility, and optimisation
- Build a foundation of trust and transparency that leads to more collaborative relationships with critical suppliers
- Revise cash flow, working capital management and inventory forecasts alongside supply and demand predictions
- Continue to capacity plan operations and flex additional resources
- Review alternative suppliers assessing their distribution, capacity and taxation
- Consider operating customs warehouses to store buffer

**Long term**
- Establish real-time supplier data to help manage performance and issue resolution
- Restructure supply chains to be more robust, including substituting suppliers
- Move towards flexible contracts and bring manufacturing closer to the point-of-purchase
- Create as much value as close to the customer as possible
- Implement robust sales and operational planning
- Advance your ability to model and predict consumer behaviour, especially in times of uncertainty and disruption
- Assess long-term need for additional operational capacity
- Identify activities to be transitioned from external operations back in house

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Challenges and concerns

- The forced closure of retail outlets and physical self-isolation has dramatically, and rapidly, altered the pattern of customer demand and impacts the flow of products and services and affecting supply chains.
- New regulations and policies may disrupt market access, demand and distribution.
- Demand is changing materially, with many lines seeing dramatic falls while other 'staples' and key services are experiencing rapid growth.
- Demand for substitute products and services and new products and services aimed at helping customers are likely to grow. We could see businesses being forced to pivot their focus to specific product lines.

Industry Insights

- Product lines are being rationalised and simplified to best meet changing demand, most notably within food retail.
- In many product and service categories, we are seeing an accelerated shift to online, which is likely to remain a permanent fixture after the current health crisis abates.
- Some financial service products, notably in credit, lending and insurance, are expanding as customer finances begin to feel the strain and government intervenes to support individuals and the economy.
- Capabilities are being shifted to boost capacity in areas of high demand and meet new opportunities in fulfilment operations across online, retail and food.
- Cooperation and collaboration between businesses are on the rise, with the aim of sharing capabilities, supply chains and distribution networks.

How KPMG is helping?

- Rapid assessment and diagnostics to identify critical impact points across the business.
- Mapping and quantifying key implications and interdependencies.
- Planning and assessing capabilities, capacities and the scope to reallocate them.
- Review of commercial arrangements covering pricing, sales and service requirements taking into consideration specific customer segments evolving situations, needs and expectations.
- Link up and share learnings from other KPMG member firms who are in a more advanced phase of the current situation.
Markets, Products and Services (2/2)

**Short term**
- Assess and monitor daily how current and anticipated travel restrictions, including border closures, and new regulation and policies will impact market access, customer demand, supply chains and distribution. Anticipate and plan for further restrictions in collaboration with key suppliers.
- Identify which products and services are experiencing increasing or falling demand. Consider establishing additional management information flows and tracking closely emerging patterns to filter through the business.
- Analyse and monitor changes in market, product and service and customer segment demand and behaviours, and review commercial arrangements on pricing, sales and service requirements, considering specific customer segments evolving situations, needs and expectations.
- Decide which activities to stop, start and continue – and assess how resources and capabilities can be reallocated. Establish information, communication and decision lines through the business to ensure actions are coordinated and agile.
- Identify and assess responses to any increased costs and risks.
- Pivot existing capabilities to address overstock challenges.
- Assess how broader industry or adjacent sector partnerships could match surplus supply with demand.

**Medium term**
- Establish clear channels, communication, governance and control processes to monitor and assess evolving changes in government restrictions, regulations, customer demand and behaviour.
- Identify where new demand is emerging and how existing resources and capabilities could be transferred to these areas while also assessing the impact on current business.
- Identify and assess opportunities for collaboration and partnerships, in order to share resource and capabilities providing guidance and clear responsibilities with the business.

**Long term**
- Review the product and service portfolio, assessing the implications of sustained demand disruption across markets, customer segments, products and services.
- Assess the implications of material shifts in resource and capabilities according to new priorities, and the impact on core processes, governance and control.
- Give thought to post-crisis commercial arrangements including sale, distribution and marketing strategies reflecting changes in customer demand and behaviour.
- Revisit assumptions about customer relationships under the new paradigm.
Enterprise Reset

Financial
- Financial stress testing and forecasting
- Liquidity and financing
- Financial crisis response and contingency planning

Operational
- Governance
- Operational Crisis Management
- People
- Supply Chain
- Markets, Products and Services

Technology & Data
- Technology and data
- Cyber and fraud risk
- Customer experience and behaviours

change Management
The COVID-19 pandemic has caused major disruptions for individual Malaysians, corporations and businesses. Many are now forced to rethink their future operating strategies. The workings of day-to-day businesses are disrupted, many business owners are focusing on resilience measures, ensuring risks are anticipated and managed for both employees and clients in terms of production in the future.

To navigate uncertainty, businesses need to prioritise creating human connections across an unexpected, unfamiliar landscape. To make effective decisions, actionable customer insights are more important than ever, so leaders can rapidly pivot their support to meet different needs, especially amongst the most vulnerable. Best practice in customer and colleague experience has never been more important. Those who get this right will both weather the storm and lay the foundations for the future.

Direct interventions by state and federal government, such as the closure of borders, regulatory measures like the enforced shutdown of pubs, cafes and restaurants alongside “non-essential” retail, and new legislations and policies, are having a huge impact. But that is only part of the story, with customers’ spending patterns also shifting at pace, seeing some areas of demand such as food escalating, while others collapse. And, inevitably, there is huge pressure to shift core services onto digital platforms and channels, often for the first time.

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Businesses in every sector of the economy are taking dramatic steps to respond to unprecedented changes in demand. Product lines are being streamlined; capacity is being switched to areas of high demand; resources are being redirected towards online channels, and meeting rapidly changing customer behaviours, needs and expectations has never been so critical. We are even seeing increased collaboration between companies to share limited distribution networks. For many businesses, a lockdown or forms of it has meant physical activities are no longer an option. Most have resorted to engaging employees and customers remotely through online platforms like Teams and Skype. Whilst most would probably be aware of these, the utilisation of technology goes beyond the surface level to be used in more advanced ways.

At KPMG, we believe recognising the role technology can play in the battle against the effects of the COVID-19 pandemic will be key in the short and medium term. We can help businesses to identify and manage the threats, and in the next few pages we outline some of the practical steps that organisations can take to maintain and protect their commercial resilience.

Please get in touch with your usual KPMG contact to discuss your situation in more detail.
Challenges and concerns

- Can the current IT set-up cope with the increasing demands as more employees work remotely?
- Is my IT personnel equipped from a capability & capacity standpoint, due to the increased demands?
- Spending priorities will now change. What happens to the planned IT portfolio for this year and beyond?
- Do collaboration tools and remote working solutions have enough capacity to cope with exponential demand driven by remote working?
- Can delivery teams adapt to this new operating model and adapt to dynamic changes in delivery priorities?
- Can businesses operate effectively and maintain continuity of operations, recover from large-scale technology failure, meet tactical business needs, and operate from alternative locations whilst still effectively governing their operations with reduced staff and remote working?
- What is the impact to companies as rapid changes are made with short term tactical solutions and as longer term technology strategy initiatives are stalled?
- Validation of key suppliers’ and partners’ continuity planning and evaluation of changes to service agreements and the resulting risk to your business
- Can you use your data to rapidly drive insights and react quickly to the current rapid changes whilst ensuring that this data remains secure and protected?
- How do I approach new customers as a result of this new operating model?

How KPMG is helping?

- Advising on short to long term approach of the new customer touchpoints due to the new operating model
- Assess and provide recommendations on IT governance
- Advising on reprioritisation of the IT portfolio, covering key programs related to investments on applications, IT infrastructure etc.
- Modelling and costing anticipated changes in technology requirements to focus resources and investment on critical resilience, service improvement and digital channels
- Identifying quick impact projects, e.g. RPA deployment
- Advising on rapid deployment of increased capacity and improved working practices in remote working solutions
- Helping to identify requirements for new and different IT controls
- Supporting organisations with Cloud transformation to improve agility and automation
- Providing third party risk management support for reviewing key IT service providers
- Establishing a Enterprise Data Management (EDM) for short to long term utilisation of data
- Using data to provide analytics/insights such as financial provision modelling, business and retail customer vulnerability predictions, operational effectiveness such as customer contact centre or IT helpdesk resource forecasting
- Analysing performance and capacity issues on the network including bottlenecks and upgrade requirements
- Using workplace analytics to understand the change in user behaviour and productivity and highlight resilience and performance focus areas
- Providing secure data rooms for clients to share information and work together
Technology and Data (2/2)

**Short term**
- Enable remote working and equip data centre, help desk and system managers with the capacity to meet revised business needs
- Review IT governance, risk and control in light of dynamic circumstances and ensure controls work effectively and weaknesses are identified
- Agree IT priorities with the business for rapid adjustment and flexibility
- Reevaluate and prioritise arrangements with IT partners and vendors with the revised IT priorities with legal contracts, capacity, scalability and financial viability
- Review backlog of planned changes and reprioritise for resilience, capacity and performance improvements and limit non-critical changes to the IT estate
- Extend self-service capabilities particularly for level 1-related supports
- Implement enterprise social collaboration platforms to drive employee engagement
- Prioritise operational support and contact centre capacity management.
- Test data centre recovery processes, ensure UPS systems and generators are serviced, tested and ready for use
- Establish a roadmap (broken up by sprints) to manage new customer touchpoints

**Medium term**
- Evaluate which customer experiences are most critical on an ongoing basis and prioritise your IT response
- Reskill existing IT personnel to match current and future requirements
- Embed IR4.0 technology across the organisation, i.e. Front-middle-back offices
- Optimise data centres and cloud platforms to enhance performance and scalability and maximise investment
- Keep security threats under review to remediate risks
- Stress test your risk management protocols
- Monitor additional load on your system and adjust storage requirements
- Evaluate use of robotic process automation techniques
- Enforce agile ways of working to deliver services faster to customers
- Review IT investment value to ensure business outcomes for resilience and risk mitigation
- Enhance intelligent automated technologies to drive insights for large data sets
- Continue to focus on third party dependency monitoring and assurance

**Long term**
- Institutionalise customer-centric approach on IT. Moving from “keeping the lights on” to “heartbeat” of the business
- Apply lessons learned during the pandemic to adjust the IT operating model as business returns to a new normal
- Review IT risks and control frameworks
- Review and reprioritise strategic technology investments and accelerate programmes that support ongoing resilience and emergent growth priorities
- Review cost optimisation plans to focus technology solutions on emerging business priorities
- Embed disaster recovery playbooks and scenario planning improvements
- Embed data-driven culture to adapt and provide insights into changing customer needs
- Review sourcing strategy and service performance of third parties and adjust for the emerging business priorities
Challenges and concerns

- Understanding the impact of COVID-19 on cyber resilience
- Dealing with COVID-19 themed cyber threats. As more meetings and agreements will be handled via phone and e-mail this increases the risk of phishing attacks and email frauds
- Managing escalating costs of IT security when budgets are constrained
- The absence of key staff in departments such as finance increases the risk that standard controls cannot be maintained, and widespread remote working may reduce the effectiveness of authorisation and existing fraud detection processes
- Financial and operational pressure increases the risk of accounting manipulation or financial misstatement as businesses seek to inflate or enhance their performance
- As businesses quickly flex their operations they may not have time to complete their usual integrity checks and may be exposed to supply chain fraud and misconduct

Industry Insights

- Organised crime has responded rapidly to the crisis by orchestrating large scale campaigns to defraud customers and businesses
- Organisations are rolling out new remote working and cloud infrastructure at pace, and being forced to implement new ad-hoc security models and approaches to secure that infrastructure
- Business can be willing to implement greater controls on email security and web browsing to deal with the growing fraud threat if it can be done quickly and cheaply
- CIOs and CISOs are worried about the security and viability of managed service providers as they come under pressure
- Urgent need for training and advice to employees on how to work securely from home

How KPMG is helping?

- Advising on current cyber security maturity and provide recommendations in short term to long preparations
- Advising on overall information security via vulnerability assessments penetration testing
- Supporting businesses with crisis management support
- Trusted advice on security control improvements and rationalisation
- Cyber incident response support
- Assessments of BIA and BCP robustness
- Rapid response due diligence on suppliers and counterparties
- Mobilising managed service operations to augment client teams and provide interim staffing
**Short term**
- Focus on embedding pragmatic remote working security controls to deal with COVID-19 themed threats, including education of employees
- Ensure you are prepared to deal with a ransomware incident if one occurs including testing backup and recovery procedures
- Act to secure cloud and other ad-hoc collaboration environments, including driving use of two factor authentication
- Review your dependency on managed service providers and seek assurances on security controls
- Ensure security operations teams are able to work remotely and that you can
- Undertake rapid due diligence on new suppliers where changes are made to the supply chain
- Run exception reports to identify irregular behaviours. For clients with real-time transaction requirements consider whether risks can be mitigated through enhanced data analytics to enhance detection of new fraud risks
- When the business operates remotely, maintain basic controls around segregation of duties, sign-off on expenditure, etc.
- Reiterate and remind your staff and counterparties of company fraud protocols including on phishing emails and whistleblowing procedures

**Medium term**
- Rationalise ad hoc remote working solutions
- Continue to monitor financials and run exception reports to identify irregular behaviours, perform regular reconciliations
- Run reports of amendments to standing data, particularly focusing on bank account changes, payroll data changes, supplier/employee contact information
- Review existing fraud risk management frameworks and identify gap
- Manage the implications of IT supplier failures on business
- Maintain crisis management and incident management activities
- Enhance and develop your business continuity management protocols
- Test the robustness of your cyber resilience, including responses to phishing, ransomware, etc.
- Optimise your security controls and reduce cost of ownership
- Create and run online workshops in relation to fraud and cyber awareness

**Long term**
- Migrate to a security operating model that allows for greater use of automation
- Bolster Cloud and cyber resilience
- Consider cyber security as part of your post-pandemic acquisition and restructuring strategy
- Augment your cyber resiliency programme and fraud risk management framework
- Review your security protocols around remote access to ensure multi-level authentication is enabled for all users
- Re-perform fraud and business and integrity risk assessments identifying gaps against best practice
Customer Experience and Behaviours (1/2)

Challenges and concerns
- Customer emotions, needs and behaviours are driving rapid changes in demand, buying patterns and channel use.
- The rules of connecting with customers have seismically changed, with new best practices emerging daily. Customers are switching channels at pace, particularly to digital for key products and services.
- To navigate this crisis of consumption, actionable insights are critical.
- Innovative pipelines will need to be accelerated to meet new consumer needs.

Industry Insights
- Businesses are rapidly changing operating procedures to reflect new customer behaviours and realocating resource and capabilities towards tailored customer communications and sales and service models to reflect specific segment situations and needs.
- A “back to basics” approach on experience, prioritising integrity, empathy and issue resolution.
- Firms are rapidly redesigning journeys to incorporate new digital capabilities, online channels and fulfilment capabilities.
- Firms are equipping and enabling employees to ensure they are able to navigate the new normal.

How KPMG is helping?
- Advising on short to long term approach of the new customer touchpoints due to the new operating model.
- Assistance in customer segmentation and mapping of customer journey.
- Rapid mobilisation of new customer operations, channels and technologies to support specific clients.
- Assistance prioritising short-term cost out, whilst maintaining ability for long-term growth.
Customer Experience and Behaviours (2/2)

**Short term**
- Identify and segment customers in response to immediate changes in demand and buying behaviours
- Develop a joined-up COVID-19 customer plan. Build cross-functionality to ensure all aspects of the customer’s experience are covered
- Use the Six Pillars of Experience as a checklist for ensuring the right bases are being covered and appropriate behaviours are in place
- Empathetically understand your customers and their immediate needs
- Include employees and front line staff in the planning so they can be rapidly equipped to provide the latest information to customers and respond flexibly as required
- Ensure employee experience is treated with the same priority as the customer experience, and manage overlaps between the two.
- Identify and segment customers in response to immediate changes in demand and buying behaviours
- Prioritise vulnerable customers and critical workers for additional support
- Identify quick wins, those aspects of the business which are suddenly very relevant (e.g. collaboration opportunities)

**Medium term**
- Audit customer journeys for crisis resilience – identify and resolve opportunities to automate and reduce costs. Make urgent immediate changes to reflect new channel behaviours and needs
- Mine behavioural, social and sentiment insights and establish leadership level reporting to fine-tune action
- Potentially pause initiatives that consume resource that can be deployed to meet immediate customer needs
- Seek to support emerging customer contact mechanisms
- Develop new digital marketing and communications platforms to engage customers directly and respond to their needs through personalised interactions at scale
- Assess the potential impact of short-term disruption on longer-term patterns of customer demand and behaviour
- Re-engineer customer journeys and processes to meet altered needs and behaviours
- Establish robust MI and monitoring to track further changes in customer demand and behaviours and ensure to ensure visibility and control

**Long term**
- Determine the new role for your brand as recovery sets in, re-setting all elements of brand and customer strategy to ensure long-term growth in a new environment
- Review channel strategies and develop plans and solutions to enable the business to adjust to new processes, IT capabilities and supporting resources, and governance and control processes across the business
- Develop new digital marketing and communications platforms to engage customers directly and respond to their needs through personalised interactions at scale
- Assess the potential impact of short-term disruption on longer-term patterns of customer demand and behaviour
- Re-engineer customer journeys and processes to meet altered needs and behaviours
- Establish robust MI and monitoring to track further changes in customer demand and behaviours and ensure to ensure visibility and control

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