

# The "antivirus" of your business

responding to COVID-19 challenges

April, 2020



COVID--19 pandemic continues to spread around the world and in Armenia, posing serious challenges to businesses.

It is inevitable that the pandemic will result in an economic crisis that will impact every sector, and the magnitude of the impact will also depend on the speed of business to react, the effectiveness with which the crisis is managed and the preparedness to respond.

**How can we prepare the business to respond to challenges and deal with the consequences?**



**Grant Thornton has developed and put together a summary of key considerations in relation to the impact of COVID-19 for businesses, which we want to share with you in this publication.**

Planning and being prepared is extremely important now, while there is still a chance to do so. If you haven't already started, then these considerations may lay the foundation for creating a response plan for your organization.

If you have any questions, please contact Grant Thornton experts, we will help you set out priorities and respond quickly to changing circumstances, providing the needed support to help you meet the challenges in this uncertain time.

It should be noted that the advice provided in this publication should not be considered exhaustive, as each organization has its specificities that can have a significant impact on the response plan.

This publication cannot replace the official statements and guidelines of the Government of the Republic of Armenia and the Commandant's Office, which shall be treated as primary.



# 1. Employee safety and involvement

During this uneasy period human capital is under threat. Business shall understand what are the risks and consider potential actions for mitigation.



# Challenges during pandemic period

- Employee shortages are extremely likely. At any given point, 25% to 50% of the workforce may be absent (owing to illness, need to care for sick family members, fear of contagion, inadequate transportation to reach the workplace and other reasons).
- Employers should assume that vaccine will not yet be available during the initial stages of the pandemic owing to lag times in vaccine development, testing and production.
- Needs for personal protective equipment, tools and materials for employees should be identified ahead of time and ensured at place.
- Supply of goods will likely be in shortage during this pandemic. Businesses need to determine whether or not they will obtain stockpiles of supplies or antiviral protective materials.
- Human Resources (HR) systems should strictly emphasize employee health and safety issues.
- Healthcare systems will be severely tested and overloaded, and it is possible that employees will not be able to have access to basic medical care, including hospital care.
- Businesses with employees that rely on public transportation may be particularly challenged if public transportation systems are disrupted or curtailed (another restriction in workforce availability).

# Potential actions to be considered

When planning for a pandemic, one or more employees may be identified in the business who serve as pandemic manager(s) and be responsible for workplace health and safety.

They may be responsible for the following functions:

- Establish or update internal policies and procedures for employees in relation to pandemic.
- Set up a system to monitor employees who are ill or suspected to be ill, including contacting employees who are unexpectedly absent from work and clarify whether they have contacted a physician and notified of their illness, offer to take care of them and existing needs, etc.
- Provide an atmosphere that facilitates/ encourages the return of employees to work once they feel better or at the end of an isolated period
- Ensure that the workplace has adequate supplies of tissues, medical and hand hygiene products, cleaning and other supplies.
- Establish or update employee policies on:
  - Flexible work schedule, telecommuting and overseas travel (e.g. avoid non-critical travel to areas affected by the pandemic)
  - Absenteeism and extended medical leave (e.g. employee compensation, recall of employees based in affected areas and voluntary quarantine/ isolation.

It is important to ensure employee involvement and maintain high performance culture with a clear focus on effective remote management, identification and use of opportunities, improvement, mutual trust, simplicity of communication, and clear distribution of role/ responsibilities.



## 2. Business continuity



# Challenges during pandemic period

- With the rising impact of COVID-19 being seen worldwide, all industries will face significant disruption to their supply chain, workforce and cashflow. The right response will depend on the specific circumstances you and your business face. However, when experiencing significant stress or distress, we recommend you focus everything you do around the cash management.
- The impact of the pandemic can last for months, and operational plans need to take this into consideration. Developing economies, such as Armenia, are at greater risk.
- It is possible that the leadership of the organisations may also be seriously disrupted personally due to illness during pandemic.
- Some operations and activities may need to be consolidated, diversified or closed depending of specific situations.
- The number of customers may decline, especially for businesses in hospitality, tourism and service industries.
- Electronic communications will increase and become an effective way to work (e.g. phone calls, e-mails, internet use, video calls, etc.). In this sense communication systems and business call centres may be overloaded.

# Potential actions to be considered

Where to focus your business in stressed or distressed conditions? Our approach outlines five key considerations for businesses with cash management at the centre.

1

## Cash management: the most critical issue for businesses

It is necessary to take steps to retain cash in the business. This may include actions to:

- stretch creditor payments
- negotiate payment deferrals with landlords and banks where possible
- sweep idle cash from other facilities into your working capital account, or draw down on availability in your banking facilities
- negotiate with customers for them to pay early, by offering them a discount or other incentives
- explore tax concessions available
- investigate available government grants and other support

Short to medium term cash forecasting is essential. Now more than ever a robust cash forecast mechanism should be created. The minimum expectation for most businesses should be a 12-14-day (or even weekly) forecast and planning, monthly after that to the end of 2020. Profit & loss and cash flow should be integrated and cash balances reconciled.

2

## Contingency planning

It is necessary to determine where the critical points in the supply chain are, try to create and hold an emergency reserve of critical supplies, ensure the availability of alternative sources, identify who essential employees are, establish staff support plans to allow them to continue working. Take into consideration whether any employee's absence could cause you to miss a tax/ regulatory filing deadline. Look at the existing insurance cover and check whether any legitimate claim may arise in the current situation. Similarly, check if a successful claim could be made against your business for the cancellation of services or goods. Identify essential services/ functions the business requires to sustain its own operations and survive.

3

### Stakeholder management

Stakeholders who are contemplating providing financial assistance will not be able to support everyone to the same level. Having a robust plan underpinned by strong financial forecast will give comfort and clarity to the stakeholder and put you in a stronger position, thereby maximising your opportunity to access the necessary funding. In this regard, it is necessary to be proactive and engage with tax authorities, lenders, landlords and key suppliers to avoid missing out on financial and other support that may be available.

4

### People

Understanding employees' profile is critical: the flexibility available to deploy people into different areas of your business needs to be taken into account. Engaging with legal advisers early will also help clarify the options available. Set a clear policy for the absence of employees, including voluntarily absence and cover situations where people are quarantined or feel unwell.

5

### Setting up a crisis management team

Ensure representation from key departments or groups and meet/ communicate frequently to discuss and prioritize problems. Wherever possible, try to anticipate the next problem, and if you have spare resource, allocate some of it to a 'hot planning' group who can react and find solutions to individual problems as they emerge without tying up the whole management team. It is necessary to communicate early, often and frankly with the team; establish a communication system which can reach and unites staff at home or otherwise isolated. Lack of news breeds uncertainty and concern.

The business continuity plan should address how the business will:

- operate with minimal face-to-face contact between employees, between employees and customers, as well as suppliers
- operate effectively if key employees are absent from work
- operate if supply chains are disrupted
- decide how/when to activate alternate suppliers and how/ when to activate alternate delivery means to customers

Coordinate the business continuity plan with suppliers and customers.

### 3. Cyber security

As organisations rush to shift their businesses and workforce online with a heavy reliance on working from home, cybercriminals are ramping up their tactics to take advantage of those who may have inadequate or naive security postures as a result.



# Challenges during pandemic period

- Normal systems may not be operational owing to power shortages or lack of personnel support.
- Secure remote-access systems may be critical to the continuation of business operations.
- Information technology (IT) infrastructure may be limited in some countries, so if the workforce is international, steps to address this issue will be needed.
- Phishing threat –phishing campaigns in multiple languages have increased during this period containing information on the treatment of COVID-19 linking to fake World Health Organization advice website and offering relevant guidelines as attachments aiming to capture personal and sensitive information and deny users' access to their systems.

# Potential actions to be considered

- Ensure that redundancy is built into all databases and that systems are backed up appropriately.
- Identify critical information systems for the business and ensure that data from such systems can be retrieved as needed.
- Determine which IT tasks run automatically and which require a person, and ensure redundancy at that position.
- Determine "trigger points" or thresholds for when to freeze IT systems and prohibit any system changes.
- Consider development of system-wide Internet portals with secure remote access.
- If many workers will be working remotely via a virtual private network (VPN), ensure that the VPN is designed to manage anticipated needs.
- Identify other IT needs (such as broadband availability, local IT infrastructure, etc.) for workers who are working from home or from their remote worksites. Keep in mind that existing vendors may become overwhelmed and unable to meet the increasing demand.
- Beware of scam e-mails. Be especially wary of any email or communication suggesting it is from the HSE or WHO, even if it appears to come from a legitimate address. Unless you operate in the healthcare industry, it is unlikely that these agencies will be sending you emails about COVID-19 and certainly not requested payments or usernames/ passwords.
- Refresh team security knowledge. Promote your information security policy, particularly the areas which talk about remote working, mobile device security and use of public Wi-Fi. Most cyber criminals will attempt to exploit social engineering opportunity. They will try to convince you to do something you should not! You may want to ask your teams to take an additional online training course for cybersecurity fundamentals or phishing training.



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