

Planning amid the crisis is vital

The coronavirus pandemic has had a tremendous impact on business, and as a result, it has created significant uncertainty about what lies ahead. This unknown is crippling business leaders from making decisions or taking strategic action. However, taking action and planning now, in the midst of the crisis, is vital for survival.



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"Businesses need to shift out of their 'survival mode' mindsets and start to lay the foundations for longer-term recovery. While businesses have seen their revenues drop dramatically almost overnight, the worst thing leaders can do is panic and make 'knee-jerk' decisions. This crisis has highlighted the need for more future-focused thinking, and while the unprecedented circumstances make it difficult to prepare, having a plan for various potential scenarios helps businesses to create strong future-proof strategies, and ensure longevity," says Sandra Beswick, director, Fluence Capital.

Scenario planning can help businesses alleviate some of the uncertainty by enabling them to evaluate the potential impacts of certain outcomes, as well as envision possibilities on the other side of the crisis.

To help navigate this uncertainty and constant change, Beswick defines three possible scenarios that enable business leaders to explore a broad range of potential futures. These include:

1. Worst-case scenario

The crisis continues for much longer than anticipated, leading to unprecedented economic collapse and difficulties for hundreds of businesses across all industries. This scenario is referred to by experts as an L-shaped recovery i.e.: when an economy experiences a deep recession and does not recover to its previous rate of growth for several years, if ever.

2. Middle-of-the-road scenario (The most likely scenario)

The Covid-19 pandemic persists past initial projections, placing a growing burden on business. While the economy remains subdued and restrictions on social distancing and certain business activities remain until at least the third quarter of this year, businesses have enough cash (thanks to government relief measures) to survive in the short-term. This scenario is referred to by experts as a U-shaped recovery, which is similar to a V-shaped recession but lasts longer. In this scenario, GDP typically shrinks for several quarters in a row, and only slowly returns to the level of growth seen before the downturn.

3. Best of a bad situation

There's no way to avoid the havoc wrought by the crisis, but in the best-case scenario, South Africa is able to manage the epidemic as a result of government intervention, and the economy starts showing signs of recovery. Outbreaks are limited to small clusters, and with a strong government response, a widespread outbreak is averted. This scenario is referred to by experts as a V-shaped recovery, and is considered to be the best-case scenario as this sort of downturn begins with a sharp fall, but then bottoms out and economic recovery quickly follows. While the recovery of individual businesses will largely depend on a variety of micro and macro factors, including the pre-coronavirus health of the business and the condition of their specific industry after the pandemic, it is vital for businesses to try predict which way their business could go in this crisis under the different scenarios.

From conducting a health check of the business, to cutting overhead expenses, and careful analysis of working cash flow, there are a range of tasks that can be carried out to help plan for recovery. Businesses must prioritise liquidity and cash flow as well as communicate clearly with all internal and external stakeholders if they are to see some light at the end of the tunnel.

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