

**Navigating economic downturns – In times of crisis management, the role of the captain is key!**  
03/17/2020 - Yannick Schilly, President & CEO – ALTIX Consulting Inc.



The most recent development on the health and sanitary crisis COVID19 shows that in just a few days, our planning assumptions and conditions can radically shift. In a matter of a few weeks, COVID 19 evolved from a regional epidemy to a global pandemic crisis. This crisis is the first phase of what will be a multi-stage crisis according to top international economists.

Governments around the world are taking drastic and necessary measures to contain this plea and avoid as many fatalities and impacted individuals and families as possible.

These times require social solidarity and a global coordination and cooperation. Planning for the worst and hoping for the best is the best strategy any organization can take – family, company or state, country.

The focus of this article is though on the impact of the crisis on the industrial corporate world and business community as despite the terrible situation, businesses need to be managed in order to ensure survival.

The economic impact will be deep and probably deeper than anything we have ever observed before in recent history.

The crisis will develop in multiple waves:

**A medical and sanitary crisis** going global in a matter of a few weeks leading to drastic measures:

- Closing of schools and universities in most countries impacted at this stage
- Closing of restaurants and shops, public events in business, sports and arts
- Drastic reduction in global, regional and local transportation through business and tourism.

**A financial crisis** with a melt-down of stock markets around the world, following a long upwards trend. Markets have been ignoring global risks for too long through the effect of the anesthesia administered by the international Reserve Banks and low interest rates. The financial markets realize the magnitude of the fast-approaching economic crisis. A tsunami is coming!

**A crash of the real economy!** The world GDP was projected at \$90.5 trillion (IMF) for 2020. Just a few months of drastic measures as announced and now beginning to be being implemented will radically change those projections. Economists will adjust numbers now on a quarterly base but just imagine:

- Sales and production of new automobiles will drastically fall
- The aerospace industry will see a rapid change in forecasting with a full stop on international travel
- International tourism and the hospitality business will see rapid decline of activity levels sometimes in the order of magnitude of > than 25% or more
- Global demand will drop significantly which will impact investors and industrial companies to rapidly adjust forecasting and demand, putting a full stop on large capital expenditures

The list could be long ...

A global recession seems to be inevitable at this stage!



**A liquidity crisis** to follow – with the economy going down, and small and large businesses seeing a rapid drop of demand and business, cash flow will be challenged as businesses are going from a high level of business activity and aggressive investment mode into a new paradigm shift of rapid demand drops and over-investment. In order to contain costs, aggressive cost cutting programs will have to be implemented without hurting the businesses at the core. Many small and large business with weak balance sheets, heavily leveraged will be challenged and will need refinancing or will die!

Business agendas will shift in a record time going from future planning and growth management, innovation management and digitalization to the following core activities:

1- **Crisis management** – understanding the new environment and containing the COVID19 related risks for stakeholders – employees, customers, vendors, partners. EHS managers will be challenged supporting the CEO, CHRO and the leadership teams to put appropriate measures in place. Are all systems and sanitary measures in place to protect the employees, stakeholders and the company's liability and risks?

2- **Downsizing strategy and costs containment** – avoid & minimize cash flow bleeding. Which measures can be taken and staged in a progressive scenario of cost reduction depending on the magnitude of the crisis? Which programs can be stopped, which investments can be postponed? How to rapidly reduce operational expenditures, contain inventory risks, ...

3- **Right-sizing the core business without hurting it** – re-evaluation of supply chain and operations structures, budget reductions in overtime, inventory management and hiring freeze. How to downsize the operation and minimize the costs of doing business, to ensure maximum efficiency in order to avoid burning precious cash for the company?

As we are coming out of an unprecedented growth period, most leadership teams are not prepared for this kind of exercise. However, the crisis is real, and there is no time to wait. Business leaders must go immediately in crisis management mode as it takes time to analyze, plan and execute before one can see first savings having a real impact. Doing it in a hurry will hurt the business and the morale more than doing it in a controlled way. Like a good pilot seeing the turbulences coming, business leaders must take the right steps to protect their business and their people. If necessary, this is the time to bring on board qualified third-party advisors for support of a professional evaluation, scenario analysis and planning.

**ABOUT ALTIX:**

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