



COVID-19 AND THE IMPERATIVE FOR SMEs OPERATIONAL RESILIENCE

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COVID-19 AND THE IMPERATIVE FOR SMEs

OPERATIONAL RESILIENCE

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INTRODUCTION

Resilience is:

- Ability to recover from or adjust easily to misfortune or change
- The capability of a strained body to recover its size and shape after deformation caused especially by compressive stress
(Merriam-Webster Dictionary)

Resilience is the ability to recover from setbacks or difficulties

Business resilience:

- Ability to quickly adapt to disruptions
- Maintain continuous business operations, and
- Safeguard people, assets and overall brand equity in the face of adversity

Business resilience is the ability of an organization to bounce back when it encounters any interruption. It is tested when an organization is stressed or faces adversity



LESSONS FROM THE PAST



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It is not the strongest of the species that survives, nor the most intelligent, but rather the one most adaptable to change

- Charles Darwin

LESSONS FROM THE PAST

Brand/Organisation	Description	Why it failed
Kingsway Stores	First and largest departmental store in Nigeria with outlets all over. Established in 1948 but disappeared in the 80s	Failure to adapt to the Structural Adjustment Policies of the 80s. Reliance on imports
Leventis Stores	One of the biggest departmental store in West Africa. Established in 1937	Government policies (Structural Adjustment Programme)
Bata	Largest shoe company in Nigeria established in 1932	Failure to innovate Shareholders/directors disagreement
Kodak	Was the leader of film-based photography, invented digital technology but failed to take advantage of it	Technology Resistance to change Missed opportunities
Sonny Ericsson phones	Once one of the world's largest cellular telephone handset	Failed joint venture Lost of customer base Failure to innovate
Compaq	Compaq was at the top of the PC industry for 15 years but fell swiftly in 2001	Distraction from acquisition of DEC which was a misfit Merger with HP
Concorde airplane	One of only 2 supersonic planes. Operated from 1969 to 2003. Known for speed and luxury and patronized by the super-rich	Crash of AF 4590 in 2000 High maintenance cost End of maintenance support by Airbus

PROBABLE DISRUPTIONS: TOP TEN THREATS



IMPACT OF COVID-19 ON SMEs

Demand shocks

- Contraction of global trade by 30% (WTO)
- Global recession
- Potential pressure on income & purchasing power
- Pressure on exchange rate

Revenue shocks

- Oil price wars
- Revenue pressure
- Debt sustainability issues

Contractual failures

- Increased default rates
- Renegotiation of contractual terms

Frauds

- Exploitation of the pandemic to perpetrate frauds

Business failures

- Business disruptions
- Business model failures
- Business continuity plan failures

Logistics

- Collapse in transport activities
- Border closures

Liquidity shocks

- Loss of revenue

Supply shocks

- Supply chain disruptions
- Disruption to manufacturing

Workforce shocks

- Increase mortality
- Layoffs
- Most workers to work remotely

ASSESSING AN ORGANISATION'S OPERATIONAL RESILIENCE

Purpose

What is the organisation's purpose?

Mission?
Vision?
Strategic plan?

Function

What are the mission-critical and time-sensitive business functions?

What is critical to be performed in times of distress?

What can be outsourced?
Are the functions flexible?

Resources

What are the resources needed to keep the organization in business?

Inputs?
Personnel/talents?
Capital?
Intellectual?

How easily can they be replaced?

Business Continuity Plan

Is there a business continuity plan?

Does it include Business Impact Assessment, Resources Plan, Risk Management Plan, Alternate Site Procedures, Emergency Response Plan, and a Succession Plan?

Is it up to date?
Reviewed regularly?

Customers

Who are your customers?

Potential?
Reliability?
Loyalty

Vulnerabilities

What are your vulnerabilities?
What can push you out of business?

Loss of key clients, personnel, intellectual property, etc?
New technology?
Cyber attack?
Virus?
Natural disasters/others?

Risk/Security

Does the organization have a formal risk assessment?
Is there a security arrangement for critical assets?

Physical security?
Insurance?
Others?

DETERMINANTS OF OPERATIONAL RESILIENCE: PRINCIPLES



HOW TO STRENGTHEN YOUR ORGANISATION IN A COVID-19 WORLD

Establish resilient leadership

A resilient leader sees failure as temporary setbacks, maintains a positive attitude and has a strong sense of opportunity during adversity.

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Measure beyond performance

Efficiency is good but too much of it can be counterproductive. Provide buffers and build redundancy where they offer advantage for tomorrow.

Think employee first

Make your employees your most important customer and the level of your overall customer service and loyalty will increase.

3

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Rethink office spaces and time

Consider working remotely and flexible hours.

Seek opportunities and look forward

See advantage in adversity. Don't merely endeavour to mitigate risk or damage or restore what was disrupted.

5

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Reinvent supply chains

Consider reliable alternatives.

Collaborate

Don't be an island. Embrace networks and collaborate more as this may give you access to new tools, technology, and solutions.

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Have a Business Continuity Plan

This will reduce the impact of disruptions when they occur.

Seek and access resources provided for SMEs by Government and other bodies

This may provide you with incentives such as tax, credits, loans, training, markets etc. (e.g. SMEDAN, CBN, BOI, NACCIMA, FIIRO, RMRDC, MAN, NEPC, SON, NAFDAC)

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Embrace change and make it your default

These may include new technology, tools and procedures. Be at the forefront. Don't play catchup continually

SOURCES

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Thank you



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