

How can we all emerge stronger?



People

How can I support my People through recovery whilst ensuring there is a future for them?

Financial Sustainability

Have I secured my Financial Sustainability?

Operations

What is the fastest and most effective way to get my Operations back to normal?

Customers and Brand

How can I protect my Customers and Brand, remaining sensitive to my communities?

Strategy

Is now the right time to revisit my long-term Strategy and emerge stronger and more resilient?

What information can support you in challenging times?

In true Australian spirit we come together at times like this with the opportunity to rebuild our homes and businesses better and stronger.

If your business, home or community has been hit by floods, storms or a cyclone, your first thoughts are naturally around survival – how to **respond and recover** in the shortest time. Then it's important to **restore and rebuild** so you can **emerge stronger and more resilient**.

In this guide, we combine **key learnings from our own recovery at PwC**, as well as learnings from our clients and communities. We have also collated some global insights on how to respond when natural disaster devastates on this scale.

This checklist has been developed to ensure you have considered all bases in your response and recovery phase. In the coming weeks and months, we will continue to share our insights to support you to restore and rebuild so that you and your business can emerge stronger and more resilient.

How can I support my People through recovery whilst ensuring there is a future for them?

- **Demonstrate your commitment to your people** by seeking out opportunities to support them to deal with their own personal challenges (e.g. flexible working arrangements, sabbatical leave, counselling, etc).
- **Rebuilding confidence**, motivating staff and clearly communicating business continuity is critical to restoring productivity and returning to normal. Engage in regular, transparent and two-way communication on your strategy for recovery and the role of your people in delivering it.
- Ensure staff can return to a **safe working environment** which has been appropriately inspected. Inform your staff members about potential hazards and reinforce OH&S rules and regulations.
- Identify **staff members who are critical to the recovery** of your business. Allocate clear roles and responsibilities and redirect resources to support these individuals as they implement your recovery plans.
- Quantify and seek out opportunities to reduce direct and indirect **people costs**, if required. Understand and communicate to staff the impact of the floods on share schemes, bonus and car schemes and other incentivisation programs. Ensure that staff understand that any changes made are done so in the interest of safeguarding their continued employment.
- **Revisit expenses, overtime and procurement policies** to ensure they meet current and future business needs. Ensure that controls and processes continue to protect against excessive, unnecessary or fraudulent claims. And remind staff of the importance of behaving ethically and honestly. Only procure from reputable suppliers and deal with people you trust.
- Consider **how your workforce can be used differently** to reflect changes to your revenue streams. Use this as an opportunity to broaden the skills of your people and for you to tap into new ideas.
- As competition for staff increases in Queensland, you will need to consider **strategies to retain key talent**.

Have I secured my Financial Sustainability?

- The longer it takes to **process an insurance claim**, the longer you will wait for your settlement and the more severe an impact it can have on cash flow and return to operations. So be clear and detailed in all your documentation and interactions with your insurers. Understand the extent of coverage for loss due to property damage, business interruption and personal injury. This will help process claims more efficiently.
- To quickly assess your **cash flow requirements in the short to medium term** you need to be clear about any anticipated insurance settlements and when they can be paid. If your claim is not clear, logical and supported by evidence it will delay settlement. Consider seeking expert advice to speed things up.
- Understanding the immediate to short term cash position of the business is a key priority. Identify what cash is needed, and when, to restore and rebuild the business. You can then identify **options to fulfil cash shortfalls** and available cash funding to support urgent capital expenditure.
- **Re-prioritise your capital expenditure** (significant purchases of facilities or equipment), and defer or cancel non-essential items.
- Try and meet your cash shortfalls by exploiting any flexibility in the size and timing of cash receipts and obligations. For example, immediate short term cash funding may be available from **government authorities providing emergency relief**. And **shareholders and banks may be a source** of additional cash funding for the short to medium term.
- Ensure any **new financing arrangements are structured tax effectively**. Manage dilution of shareholder interest if you are obtaining additional equity funding from investors.
- **Reduce your working capital requirements** in agreement with customers and suppliers while the business recovers. For example, by adjusting invoice payment periods or maintaining only minimum stock levels, you could reduce your cash burdens.
- Take advantage of **concessions to flood and cyclone affected businesses from the ATO**. You may be able to defer some payments and renegotiate other compliance obligations.
- **Make sure your banking relationships are healthy**. This will help in obtaining new funding and managing any potential breaches of loan terms and conditions – critical to your business’s survival.
- You may be eligible for tax benefits under the **ATO’s R&D tax incentive scheme**. In beginning any major clean-up, building or rebuilding efforts, work out whether you already qualify for benefits under the scheme. Or if you could take simple steps to help you qualify, for example by developing or using innovative processes where a portion of your costs could be claimed.

What is the fastest and most effective way to get my Operations back to normal?

- Work out and **share your recovery plan with your people, your customers, your suppliers, your bank and any of your other major stake holders** (such as shareholders). If you do not yet have a plan, and are not sure where to start, then consider quickly creating one yourself or use one of the many templates being offered on the internet
- **Secure all data** that was backed up at remote locations or which is salvageable and identify all important documents/records that may have been lost in the floods or cyclones. Determine whether any electronic information which may seem lost could be recovered by IT specialists. You need to quickly understand what you have and what you have lost.
- Ask your employees, your bank, your suppliers and your customers if they have **copies of any missing documents** they could provide to you.
- Locate any photographs, manuals or packaging of equipment that has been lost or damaged. These can help you **support your insurance claims**, along with any photographs you take, as well as help you recall exactly what was lost.
- **Contact all of your relevant regulators** (such as ASIC, ATO, EPA) to explain your circumstances and the impact of the floods or cyclones on your records. Ask them for guidance and information. Keep copies of any materials or advice you are given to support your position when you file with them.
- **Contact all of your major suppliers** to understand any issues they might have in providing you with the goods and services your business needs to keep operating. If necessary, quickly identify other sources of goods and services to keep your operations going – as demand may quickly overwhelm supply.
- **Review contracts with customers, suppliers** (including leases) and understand your obligations and entitlements. Get legal counsel on what constitutes force majeure (including non-performance due to natural disaster), and understand how that impacts your agreements. If you are going to be potentially penalised for non-performance due to inability to deliver, you need to understand your rights and options very quickly.
- If you lease (or are the landlord) for any properties, **review your lease agreement** to understand who is responsible for repairs. You should also pay particular attention to understanding potential rent abatement, insurance provisions and termination clauses.
- Determine whether you have any assets involved in a **transaction where the transfer of ownership may not be complete and the asset is damaged/destroyed**. Whether you are the buyer or the seller, you will need to work with the other parties and should seek legal advice on who is responsible for the current state of the asset.
- Assets and property that were subject to **contracts for construction** at the time of the flood or cyclone, may have been **destroyed or remain unfinished**. Consider the terms of contracts in place and seek legal advice to understand the rights and obligations of the parties, including rights to insurance coverage for losses arising.

How can I protect my Customers and Brand, remaining sensitive to my communities?

- Establish a **communications plan to inform your customers** on how your business has been affected and how you plan to re-establish business as usual. Choose multiple communication channels and ensure you update the information as you progress in the recovery process.
- If you have suffered from subdued supply don't forget to **promote to your clients when you are back to business as usual**. In the meantime, if supply is restricted, negotiate longer lead times where possible to help deliver mission critical orders to clients whose requirements are time sensitive.
- **Identify and contact your top clients** to get clarity around the issues they are facing. Consider offering concessions to those most affected in order to help them get back on their feet rather than taking a hard line approach and damaging key client relationships.
- **Consider setting up a customer support 'hotline'** if not already in place. Review or establish a protocol for your customer support staff with coherent messages across the business. Make sure you capture your customers' concerns to feed back into your broader business strategy.
- **Review your go-to-market strategy** in light of the new environment. Determine whether any factors have affected supply or demand in your market. If the product or service is discretionary you may need to think about strategies to improve your market share or look to new markets.
- **Review your marketing campaign** and get an understanding of whether you had or planned to have any customer promises included in your marketing initiatives. Should you have made such promises you will need to work out whether you can honour them.

Is now the right time to revisit my long-term Strategy and emerge stronger and more resilient?

- Making **informed strategic decisions at the right time** is critical to the recovery of your business. **Develop a range of scenario plans** that consider the impact on your customers' purchasing behaviour, your competitors' strategies and, of course, your own ability to trade. As conditions change you should be prepared to act decisively.
- In a crisis customers may look to reduce their consumption or even switch to a cheaper product or service. **Ensure that your sales forces stay in touch** with your clients and that you understand which parts of your offering your customers value or deem to be unnecessary. Prioritise your resources accordingly, but not at the expense of your margins.
- As the competitive landscape intensifies **many businesses will be forced to reassess and adjust their pricing strategies**. Avoid entering into an unnecessary pricing war. Although price is very easy to give away it is very difficult to get back. Focus on your value proposition and look at innovative payment terms that reflect the needs of both your own business and also your customers.
- Take a long hard look at **what you need to be good at in this difficult trading period**. You may find that the key success factors that have stood you in good stead over the last few years might not necessarily be the ones to focus on now. Use the change in circumstances as an opportunity to kill off unprofitable products or to introduce new ways of working. The smart businesses are already positioning themselves to take advantage of the **opportunities that will arise from the crisis**.
- Ensure that you **understand who your best customers are** and which ones you are willing to let go. Decisions need to be based on facts rather than sentiment. For example, you may need to shift emphasis away from servicing the demand you have, towards more actively seeking to generate it or even to defend it. Understanding the cost of generating new business, rather than servicing your existing customers is critical.
- With materials prices and even availability directly impacting margins in many sectors, now is the time to **take a hard look at your procurement**. This doesn't just mean pressuring your suppliers. It is also about taking a more strategic view of your entire supply chain so that you understand who is making money and why. That will help you target the big opportunities as well as just the quick ones.

Helpful Links

PwC experiences and advice:

<http://pwc.com.au/floodcyclonesupport/>

QLD floods:

<http://www.qld.gov.au/floods/>

<http://www.business.qld.gov.au/disaster-recovery/flood-assistance.html>

Cyclone Yasi:

<http://www.qld.gov.au/cyclone/>

Queensland Premier's Disaster Relief Appeal:

<http://www.qld.gov.au/floods/donate.html>

Victoria floods:

<http://www.vic.gov.au/news-detail/victorian-floods.html>

ATO:

<http://www.ato.gov.au/corporate/content.asp?doc=/content/00266886.htm>

<http://www.ato.gov.au/corporate/content.asp?doc=/content/00189316.htm>

If you would like to discuss any of these issues please contact Paul Lindstrom in Brisbane on (07) 3257 8559, Philip Clarke in Townsville on (07) 4721 8501, or your regular PwC advisor.