

Current as of May 27, 2020

# COVID-19 response checklist for CFOs

The COVID-19 crisis has affected communities, businesses, employment, and economies all over the world. While the top priority is to save lives and support victims and their families, we must also act to protect the livelihoods of our community members.

Our response checklist offers practical solutions to help CFOs protect their people and steer their organizations through an uncertain time. This checklist focuses on five stages along the crisis-response cycle: Resolve, Resilience, Return, Reimagine, and Reform.

*Disclaimer: These lists are indicative, not exhaustive.*

© 2020 McKinsey & Company. These contents, including any statements, articles, graphics, charts, checklists, and other materials ("Content") are for informational purposes only. The Content is not intended to be a substitute for professional advice, and we make no warranties of any kind with respect to the Content, whether expressed or implied.

# 1 Resolve: Lead from the front

---

## Reformulate the stakeholder communications strategy

- Communicate the situation transparently, both internally and externally
  - Clearly articulate actions to mitigate the impact of the crisis
  - Decide whether to issue guidance and what long-term commitments (eg, capex or transformations) will change
- 

## Assess the company's liquidity position and stand up cash-management war room

- Create detailed model and forecast down to the cash level incorporating all sources and uses of cash (operational and financing)
  - Determine how much liquidity buffer is available
  - Create a cash-management war room with daily meetings to drive cash flow and take aggressive decisions
- 

## Model multiple COVID-19 scenarios

- Model at least four scenarios to ensure productive discussions around likely outcomes
  - Identify relevant KPIs and measure their sensitivity to each scenario
  - Monitor performance through scenarios with clear countermeasures against market headwinds as the trajectory changes
- 

# 2 Resilience and Return: Steady the business in the new normal

---

## Take a through-cycle view of operational moves

- Aggressively reduce costs (both COGS and SG&A)
  - Plan future cost profile to control costs added during recovery
- 

## Reevaluate the investment portfolio and balance sheet

- Deleverage if possible to create more flexibility
  - Take the full suite of balance-sheet levers into account (from credit terms to debt refinancing to working capital)
- 

## Turbocharge the role of FP&A and upskill finance talent

- Give each business leader a set of clear, controllable KPIs and realistic targets through the downturn
- Pivot from spreadsheets to collaborative, automated dashboards that include the full set of scenarios being used to run the business and are true rolling forecasts

© 2020 McKinsey & Company. These contents, including any statements, articles, graphics, charts, checklists, and other materials ("Content") are for informational purposes only. The Content is not intended to be a substitute for professional advice, and we make no warranties of any kind with respect to the Content, whether expressed or implied.

# 3 Reimagine and Reform: Make bold moves

---

## Plan ahead with strategic moves across time horizons

- Stand up the plan-ahead team
- Create a view of what the next normal might look like for your business
- Draft a set of actions for progressing toward the targeted future state

---

## Play offense with portfolio moves (eg, M&A and divestitures)

- Dispose of noncore and underperforming segments to reallocate resources for growth
- Size available capital for potential M&A
- Play leadership role in updating M&A strategy to support crisis-scenario analysis

---

## Accelerate digital to support the next normal

- Scale current automation pilots that have proved their value to lower cost and increase efficiency or agility
- Pursue a broad reskilling agenda that develops employees' digital expertise