

Pandemic Recovery – Preparing for the Challenges That May Lie Ahead

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The upcoming Fall and Winter of 2021-2022 will present a new phase in our nation's recovery from the pandemic. Many employees will be returning to the office (on at least a part-time basis) after an 18-month absence, and an uptick in face-to-face meetings and business travel is expected. Senior management and board members should be aware of some of the challenges their organizations may face during this transition and assess whether they are properly prepared to address issues that may arise. As a starting point, consider the following critical areas and the questions that you might ask.

Adoption of a Hybrid Operating Model

In all likelihood, certain jobs will continue to require a full-time onsite presence, while other roles can be effectively performed remotely. Since many employers are leaning toward a work arrangement where employees can work in the office a few days a week and from home at other times, they will end up operating in a hybrid model that raises a number of issues, including:

- Will you need a scheduling or reservation system to avoid office overcrowding and reestablish social distancing if the combination of the COVID variants and unvaccinated adults results again in an increase in viral cases?
- Do you plan to welcome customers, suppliers and other visitors into your offices and what safeguards are in place to reduce liability if someone gets infected while onsite? Also, what approvals and releases may be required before your employees visit customers/clients?
- What will your real estate needs be now and in the future? Do you envision having excess space that can be sublet or do you expect to revert to individual offices and phase out open/shared office layouts?
- How will you train, mentor and develop personnel and sustain a positive culture?
- Will the same criteria be used in performance evaluations if some workers have less opportunity to learn by observation and are unable to directly engage with their supervisors and managers during in-person meetings? How will you factor in the work accomplished each day when only some personnel spend time commuting?
- Have you adjusted your policies and procedures to reflect process and workflow changes?
- How will you tackle undesired turnover if the pandemic stressors force the early retirement of seasoned managers, and younger staff decide to leave because they either feel disconnected from the organization or have relocated to an area where commuting is impractical?

Supply Chain Disruptions and Product Price Increases

The surge in demand for various materials and products has created severe shortages and led to price spikes. Chips used in automobiles and electronic devices, lumber and other supplies needed for construction, fuel and other items are just some of the sectors affected. In addition, plant shutdowns in 2020, the failure to build additional capacity, and transportation bottlenecks have contributed to the current situation. To understand better if this is a concern that may affect you, consider the following:

- Have you identified the critical items you need to operate and whether you have adequate reserves on hand?
- In the event your primary supplier is out-of-stock, do you have alternate sources you can tap? Are there substitutes available that can be used until there are no more stockouts?
- Have you revised your production and financial plans to reflect inventory availability?
- Are you prepared to absorb price increases or can you pass any additional costs to the customer without driving them into the arms of your competitors?

Planning and Operating Under Varying Conditions

While organizations have learned how to adjust to normal business cycles, they have no experience dealing with a pandemic and limited ability to envision the shape and timing of a recovery. There is value in understanding:

- Do you have robust models in place that would allow you to evaluate various conditions and the actions you might take if the scenario becomes a reality. For example, if you find that you cannot keep pace with the demand for certain goods or services, would you try to ramp up production to satisfy all customers, prioritize specific preferred customers (e.g., high volume, margin) over others, or can you incentivize customers to either purchase something else or delay their orders until there is more availability. As another example, if revenue declines beyond a target threshold, what cost-savings steps would you take and what lead time would be required to put the measures in place?
- How will you leverage the data collected from day-to-day operations to refresh the model and inform the decision-making process on a continuous basis? Since external data provides market intelligence and a macroeconomic perspective, do you have a mechanism to capture and analyze this information too?

Leveraging Technology While Protecting Information

Information technology has provided the backbone that allowed organizations to successfully operate during the pandemic and accelerated a shift to “doing business” electronically. Looking ahead, you might consider:

- Are you investing in the right kinds of digital innovation that helps maintain your competitive position and demonstrates to stakeholders that you are capable of capitalizing on what technology offers? Payback may be realized by investing in customer-facing applications and/or automating routine backoffice processes that tend to be time-consuming, labor-intensive and error-prone.
- What new skills must employees acquire in order to adapt to a digital age with technology-mediated commerce, knowledge-sharing and stakeholder interactions?
- How are you ensuring that data collected, processed, analyzed and reported is properly secured from cyber threats and that third parties you rely on to maintain comparable standards of performance and protection?

Shaping the Future

While nobody has a crystal ball and knows exactly how the pandemic recovery will play out, senior management and the board should be thinking ahead and anticipating the types of challenges they may encounter.

Contact Us

If you would like to discuss how your organization can prepare for getting back to business, please contact your PKF O’Connor Davies’ engagement partner or Larry Baye, Risk Advisory Principal at lbye@pkfod.com or Mark Bednarz, Risk Advisory Partner at mbednarz@pkfod.com who will be pleased to assist you.

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