

# COVID-19: Were you prepared? Would you be now?

Survey summary on how companies reacted to challenges due to COVID-19

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## INTRODUCTION:

**Industry feels better prepared for future outbreaks now - High approval to industry's countermeasures - Productivity unaffected for two thirds of industry players - Digitalization accelerated by the crisis - Long road to recovery expected**

StepChange Consulting conducted a survey among industry decision makers and LinkedIn followers about the resilience of their companies to COVID-19 impacts. The survey was conducted during June and July 2020, at a point in time when restrictions in Europe have been loosening. A further survey was conducted in the 2nd quarter of 2021 to validate and update the digitalization results. Survey participants were asked to share their views on how their companies reacted to challenges imposed by COVID-19. The following summary provides an overview and in-sights into the survey results.

### Paper, Highlights of the study

- Most of the companies were severely affected by the overall impact of COVID-19
- Only 36% of industry participants think that their company could have been better prepared
- The majority believes they have handled the crisis well so far, and the right countermeasures have been taken
- COVID-19 significantly accelerated digitalization efforts, with a focus on remote working infrastructure
- Almost 80% of industry participants expect that recovery will take longer than 9 months

### Demographics

Top managers and industry decision makers participated in the survey representing a wide spectrum of the industry. Participants included suppliers, producers, converters, distributors, printers & publishers, and service providers from the financial industry and professional services. 51% of the survey respondents are from the paper or paperboard sector, 8% from the pulp sector and another 8% from the wood products sector. Results from paper, paperboard & pulp manufacturing, forest & wood products industry, converting industry and printing & publishing have been grouped to "Pulp, Paper, Packaging" (PPP). This grouping covers 72% of survey participants and allows for an industry specific focus on results.

#### Demographics

What is your industry sector? [%]

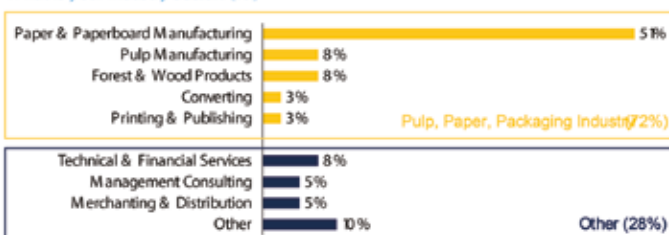


Figure 1: Survey demographics

### How were companies impacted?

The Pulp, Paper and Packaging sector has been hit hard by the current crisis. More than two thirds (71%) of respondents from the PPP sector state their companies were severely affected.

#### Overall Impact

Your company was severely affected by the overall impact of COVID-19



Figure 2: Overall impact

On the other hand, respondents state that the productivity of the PPP sector was less impacted compared to others (Figure 3) Only 39% of participants from the PPP sector state that their company's productivity has been impacted severely by COVID-19, whereas 69% of other sectors state severe impacts on their productivity.

#### Productivity Impact

COVID-19 severely impacted your company's productivity

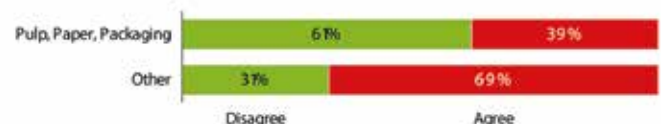


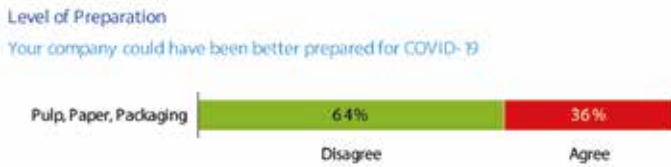
Figure 3: Productivity impact

### How were companies prepared?

Roughly two thirds of respondents from the PPP industry state that their companies could not have been better prepared for the effects of COVID-19.

Being asked how companies could have been better prepared for the impacts of COVID-19, main areas for improvement included:

- Increase labor flexibility
- Expect the unexpected
- Optimize what-if scenario and contingency planning
- Implement better remote working infrastructure
- Improve “force majeure” clauses in contracts



**Figure 4: Level of preparation**

The vast majority across all respondents agree, that their companies took the right countermeasures to mitigate impacts of COVID-19 (Figure 5). Respondents from the PPP industry are optimistic regarding their companies’ performance in impact mitigation. Most mentioned countermeasures included:

- Implementation of strict safety measures (disinfection, social distancing, separation of teams, face masks)
- Home office & remote work wherever possible
- Reduced working hours
- Travel restrictions / ban
- Remote support solutions
- Supply Chain measures to ensure supply of critical parts
- Improved communication
- Further integration of volumes into downstream business
- New process and project approaches
- Increased use of online tools



**Figure 5: Countermeasures**

A minority, yet not insignificant, of the survey participants from the PPP sector (41%) state that their companies were not successful in mitigating financial and business risks (Figure 6).

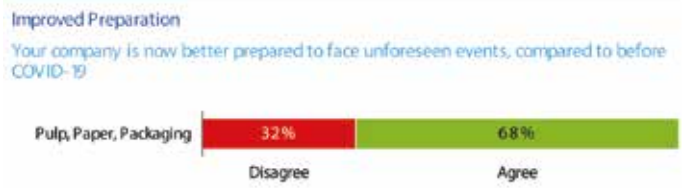
The main areas for improving the mitigation of financial and business impacts encompass:

- Stronger and prevailing focus of performance of cost & efficiency parameters
- Prepare for the possibility that the new situation and business environment could last longer than initially expected
- Partial shut of offices, switch to home office and co-working spaces
- Transform daily work and processes even more into the digital world
- Increase diversification level of product portfolio



**Figure 6: Mitigation of impacts**

Looking forward, more than two thirds of respondents believe that their companies are now better prepared to face unforeseen events compared to before COVID-19.



**Figure 7: Improved preparation**

Companies have learnt from the crisis and, according to the survey participants’ responses, some of the things that make them better prepared for future unforeseen events include:

- Better use of digital technologies for business execution, monitoring and reporting
- Both Hard and Software infrastructure that enables business continuity, regardless of where employees are located
- Importance of prioritization, flexibilization, empowerment
- Always expect the unexpected
- Importance of proper process flows
- Improve cash positions (“liquidity is key”, “cash is king”)
- Optimize ability to quickly react, respond and execute
- Evaluate alternative business models
- Improve / review / update contingency plans
- Remote work is efficient and works fine
- Foster implementation of cross skill sets among workforce

**Accelerated Digitalization?**

Corresponding to the previously listed countermeasures that have been taken, the vast majority of respondents agree that COVID-19 has helped to accelerate Digitalization. In the 2021 survey, agreement to the question slightly declined to 83%.



**Figure 8: Accelerated digitalization**

However, accelerated Digitalization mostly refers to remote working infrastructure and technologies as well as remote support solutions. 61% of participants agree that the current crisis has helped to identify Digital projects with real value. A similar value was confirmed in the 2021 survey (63%). This suggests a major progress but also that significant Digitalization potential still needs to be tapped.

**Long road of recovery ahead?**

Overall, survey participants from the PPP sector are more pessimistic about the pace of recovery compared to other sectors.



**Figure 9: Identification of projects with real value**

Almost 80% of PPP participants expect that recovery from the current crisis will take at least 9 months or longer. In comparison, only 34% of other sectors believe that recovery will take >9 months. Not one single respondent from the PPP sector believes in a recovery shorter than 3 months.



**Figure 10: Expected duration of recovery**

**CONCLUSION**

The overall impact of COVID-19 has been hard on the Pulp, Paper & Packaging sector, with industry decision makers describing it as severe in the way it affects their businesses.

For the most part, the industry was not ready for the crisis, and the majority of respondents state that their companies could not have been better prepared for it. Countermeasures taken by businesses in the PPP sector to mitigate the effects of COVID-19 were positively perceived as correct decisions. However, it seems there is room for improvement, as more than 40% of respondents indicate that their company was not successful in mitigating the financial / business impact.

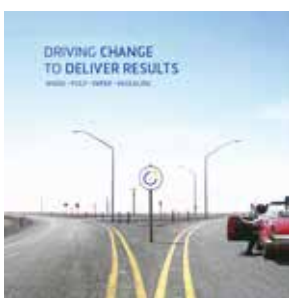
The crisis was an imposed learning opportunity for companies to improve their resilience against unforeseen events. Most survey respondents feel that their companies are now better prepared for future challenges to come.

Digitalization has a lot of potential that still has to be addressed when it comes to the real value of digital projects. Yet, there is a perception of acceleration of Digitalization due to COVID-19.

Recovery in the PPP sector was expected to take longer than nine months. Until today, the impacts of COVID-19 are clearly noticeable and visible, and the COVID-19 recession in many sectors went straight into a shortage of supply or supply chain bottlenecks when demand picked up again.

It remains uncertain how the post-COVID business world will look like, but it is likely that the “new normal” will be different compared to pre-COVID times.

Consequently, it is time to review business models and supply chains including planning processes regarding their exposure and resilience. The implementation of adjustments to take an optimal position in the “new normal” and to increase resilience remain opportunities to be captured.



**About StepChange Consulting**

StepChange is an industry focused and independent management consulting company with a proven track record in supporting clients to achieve sustainable value. StepChange provides support to top tier organizations in the industry from strategy development to implementation of operational improvements.

With an international team of industry experts StepChange can hit the ground running. StepChange provides innovative and yet pragmatic solutions, placing an emphasis on delivering measurable business results.