

MANAGING THROUGH COVID-19

A CASE STUDY

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Cypress Semiconductor in Malaysia (Cypress MY) is involved in the global business services, testing and fabrication of semiconductor wafers consigned from its parent company in the USA. As semiconductor production is considered to be part of the essential product supply chain, Cypress MY's operations were excluded from the Movement Control Order (MCO) implemented in Malaysia from 18 March 2020, subject to certain conditions from the Ministry of International Trade and Industry (MITI).

OPERATIONAL CONSIDERATIONS

Human resourcing: As an essential activity, Cypress MY was permitted to have 50 per cent of its workforce on site with the other 50 per cent transitioned to remote working. To keep remote workers engaged, function leaders conducted daily check-ins with their downline colleagues.

Social distancing: New health and safety measures had to be instituted as part of continuing operations during the MCO. This includes daily temperature scans, use of face masks and hand sanitisers, reduction of sitting area capacity, staggering employees going to the cafeteria, and creating distancing in bathrooms.

Increased spending: To support staff working from home Cypress MY increased spending on additional bandwidth capacity.

Productivity and efficiency: Efficiency is slightly affected for certain activities in the factory and for those working remotely. For example, physical distancing measures implemented in the factory during the MCO means that testing labs that were previously occupied by two people is now limited to one person. The efficiency of remote workers is also adversely impacted by reliance on unstable mobile phone hotspots. However, the inefficiency is limited to the particular function(s) and is not prevalent in other aspects of their operations.

BIGGEST IMPACT OF THE COVID-19 CRISIS ON CYPRESS MY'S BUSINESS

Unanticipated extensions to the MCO lead to delay in delivery

When the MCO was announced in mid-March 2020 to be in effect for a period of two weeks, Cypress MY had not considered the potential for extensions to the MCO. As a result, it was a slight delay in getting the necessary approvals to operate during the extended MCO. This was a learning point for Gark and his team, to understand and monitor the pandemic-related developments in public health containment efforts to inform actions ahead of time.

Proximity of plant to transportation

Cypress MY is fortunate that its shipment of goods is not impacted by the slowdown in airline operations. Furthermore, Cypress MY is located in close proximity to the airport. As such, little to no delays have occurred in moving products from the factory to the airport. This is markedly different to the experience of Cypress MY's counterpart in other countries.

Challenges in forecasting and planning due to uncertainty surrounding demand

The uncertainties created by global responses to the Covid-19 outbreak has made it tougher for business forecasting and planning as Cypress Group's activities are impacted by end demand. As such, the approach is to focus on the controllable aspects of the business such as timely supply, order fulfilment and ready back-up including qualified third-party subcontractors to carry out the production function of any impacted operation. While this may result in slightly increased production cost, it will allow to mitigate the risk of disruption in the production chain, ensuring consistent supply and maintaining its market share.

PLANNING FOR THE POST-MCO PERIOD

Once the MCO is lifted, Gark says the business operations will return to a "semi normalcy" state. That is, as they continue to observe social distancing measures, teams will be permitted to return to the office on an alternate week basis. As such, they will continue with working from home and only allow up to 50 per cent of the workforce in the business premise at one time. Whether schools remain closed and for how long will have an impact on how many staff will return to the office, having to care for their children at home. Gark expects that the "semi normalcy" arrangement will be implemented for a long while, before they are able to return to full normalcy.

ADVICE AND LESSONS FROM THE CRISIS

1. *Cash flow and financing* –
Seeing as the borrowing rate has been reduced in many markets, businesses with good rating should consider refinancing those loans and secure lower interest rates.
2. *Business planning* –
Considering that the Covid-19 outbreak is not likely to be contained (globally) in the near future, it is important for businesses to plan for the longer term. This means keeping on top of political, environmental, social and economic developments locally and globally and factoring these changes into the planning process. In some cases, business performance will depend on how the rest of the world is recovering. This is because, although the business has experienced little disruption in its ability to produce and supply, the sales may be limited by the status of customers' business operations and the resultant impact on demand.
3. *Inventory holding* –
Many operations practice *just in time* inventory holding as a way to minimise costs. However, this places a lot of reliance on a working supply chain. When there is a global outbreak such as this, a business that is unable

to access its raw materials will not be able to deliver. As such, businesses may want to review the merits of building some inventory buffer against the cash flow implications, as a contingency measure for unexpected situations such as this.

4. *Business continuity plan (BCP)* –

It is important for businesses to have a BCP to guide its actions during a crisis. The unprecedented Covid19 pandemic necessitates a re-evaluation of the business continuity planning process; needing it to be more comprehensive in covering all scenario. It is not only sufficient to have a BCP drawn up, it should be updated based on learnings from new experiences to keep it relevant and effective.