



Minimizing the Impact of COVID-19 for Small and Medium-Sized Defense Firms

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Three Stages of Development (1)

- **Although exact timeline is unclear, the supply chain impacts will likely coalesce along three stages**
- **These stages are not cleanly delineated, and will likely overlap**
- **In which stage you find itself—and how long you remain there—will likely depend upon several factors:**
 - Your geographic location(s)
 - Your industry
 - The type of work that you perform
 - The maturity of your risk planning
 - Your state of affairs upon entering this crisis
 - Your supply chain network partners upstream and downstream
- **Unfortunately, not all companies will successfully pass through each the three stages**

Three Stages of Development (2)

- **Stage 1: Survival**
 - Focus: Weathering the initial storm of disruptions
 - Priorities: Ensuring employee safety, minimizing cyber risk, husbanding cash, and identifying and strengthening weak links in your supply chain network
- **Stage 2: Early Recovery**
 - Focus: Maintaining stability and planting seeds for recovery
 - Priorities: Evaluate your supply chain, maintaining cash reserves, restarting deferred orders, identifying human capital gaps, revising business continuity plans, and possibly considering temporary cessations of business
- **Stage 3: Rebuilding & Rebounding**
 - Focus: Ensuring simultaneous growth and protection
 - Priorities: Ensuring financial resilience, preparing for possible legal actions (contract disputes, employee lawsuits, insurance claims, etc.), developing new business strategy, hiring aggressively, identifying new opportunities, and possibly, restructuring

Weathering the Survival Stage (1)

- **Ensure the safety of your staff ← CRITICAL**
 - Implement on-site safety protocols to keep the virus from spreading
 - Educate staff on COVID-19 symptoms and prevention
 - Implement remote working for everyone who can
 - Maintain frequent communication with your staff (“Tone from the top”)
- **Prioritize the functionality of your IT systems**
 - Two simultaneous efforts in play
 - Align your IT systems to meet your long-term, remote working needs
 - Enhance your cyber security protocols to handle increased risk of adverse cyber acts
 - Don’t forget about the cyber security of your key third parties!
- **Maintain frequent contact with your critical supply chain partners**
 - Establish proactive, two-way communication with your key third parties
 - Actively inquire about any challenges and response plans they have
 - Openly communicate with your customers about your challenges and how you plan on handling them
 - Don’t forget your up- and downstream logistics providers

Weathering the Survival Stage (2)

- **Assess your Cashflow Risk**

- Do worst-case cashflow planning, assuming your outgoing orders likely to be impacted by supply-side disruptions
- Consider drawing down lines of credit now
- Manage your vendor spend intelligently
- Assign someone responsible for tracking all government relief packages
- Inquire about the financial stability of your key third parties

- **Identify alternative supply chain partners for mission critical materials, parts and services**

- Find alternates to mission critical or at-risk partners now
- Begin building latency by pre-vetting them financially, operationally and reputationally
- Reduce onboarding time by preparing for any production approval processes or regulatory approval processes

Further Information



US government websites:

- Official USG COVID-19 webpage: <https://www.coronavirus.gov/>
- DOD COVID-19 webpage: <https://www.defense.gov/Explore/Spotlight/Coronavirus/>
- CDC COVID-19 webpage: <https://www.cdc.gov/coronavirus/2019-ncov/>
- US SBA's COVID-19 small business guidance webpage: <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

Public sector websites:

- NDIA's COVID-19 webpage: <https://www.ndia.org/meetings-and-events/coronavirus>
- MITRE's "COVID-19 Authorities, contract vehicles, and Initiatives" webpage: <https://aida.mitre.org/covid/>
- Johns Hopkins University's Coronavirus Resource Center: <https://coronavirus.jhu.edu/map.html>
- Professional Service Center (PSC)'s COVID-19 resource page: https://www.pscouncil.org/_p/cr/Resource_Centers/Coronavirus_Resource_Center.aspx?

Private sector websites:

- Kroll / Duff & Phelps's "Coronavirus (COVID-19) and Managing the Risks to Your Organization" webpage: <https://www.duffandphelps.com/coronavirus-covid-19-managing-risks-organization>
- Holland & Knight legal insights for COVID-19 webpage: <https://www.hklaw.com/en/case-studies/covid19-response-team>
- The Supply Chain Risk Management Consortium: www.scrmconsortium.com

Defense Contract Management Agency (DCMA) is monitoring operational impacts to the Defense Industrial Base. Email DCMA (dcma.lee.hq.mbx.covid19-industry-inquiry-inbox@mail.mil) to report any specific operational impacts to better inform DMCA's mission. Include: company name; location; CAGE code (if known); government programs potentially impacted; description of impact; and an appropriate POC