



READY FOR RISK

A Business Continuity
Management Toolkit for
Women SME Entrepreneurs

UN Women China
and China Centre for Promotion of SME Development



中国中小企业发展促进中心
China Centre for Promotion of SME Development



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A Business Continuity Management Toolkit for Women SME Entrepreneurs

UN Women is the UN organization dedicated to gender equality and the empowerment of women. A global champion for women and girls, UN Women was established to accelerate progress on meeting their needs worldwide.

UN Women supports UN Member States as they set global standards for achieving gender equality, and works with governments and civil society to design laws, policies, programmes and services needed to ensure that the standards are effectively implemented and truly benefit women and girls worldwide. It works globally to make the vision of the Sustainable Development Goals a reality for women and girls and stands behind women's equal participation in all aspects of life, focusing on four strategic priorities: Women lead, participate in and benefit equally from governance systems; Women have income security, decent work and economic autonomy; All women and girls live a life free from all forms of violence; Women and girls contribute to and have greater influence in building sustainable peace and resilience, and benefit equally from the prevention of natural disasters and conflicts and humanitarian action. UN Women also coordinates and promotes the UN system's work in advancing gender equality.

Published by UN Women China
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UN WOMEN CHINA
Beijing, April, 2022

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PREFACE

Making up more than 90% of companies globally, small and medium-sized enterprises (SMEs) are the world's main engine of economic development. Yet the impact wrought by the COVID-19 pandemic since 2020 has led to severe challenges for SMEs and those who lead them, ranging from rising operating costs and serious shortages of funds, to recruitment difficulties. In many cases this has led to business stagnation and decline. There is meanwhile a common lack of awareness among managers around the world about risk prevention and response, and business continuity management systems. Risk response mechanisms are scarce, and when in place they tend to be temporary, intermittent and lacking in strategic management.

The situation created by the global pandemic remains severe at the time of writing, and although steps are being taken to bring it under control, risks remain. There is therefore an urgent need for SME managers to build economic resilience and strengthen their ability to prevent and respond to risk.

In May 2020 UN Women's China office, funded by Rockcheck Puji Foundation, launched Supporting Women to Recover from the Socio-economic Impact of COVID-19, a project to help women entrepreneurs, workers and women-owned SMEs recover quickly from pandemic-related economic loss, and to strengthen their skills and resilience in crisis response and contingency planning. An initial survey conducted among women SME entrepreneurs found that more than 80% of respondents would appreciate and use a series of trainings in business continuity management in relation to the COVID-19 crisis. Under this theme, the most requested topics overall were business continuity in the context of marketing management, human resources management, corporate risk compliance, and financial and tax risk control. The most popular forms of training were offline training with strong interactivity, traditional textbook training, and online courses. This input became the foundation for this toolkit.

This document therefore provides a grounding in risk control and business continuity for SMEs, with particular reference to the COVID-19 pandemic response. Based on the International Business Continuity Management Standard ISO 22301, it has also been researched and

designed to meet the specific and practical needs of women entrepreneurs. It has been field tested by women entrepreneurs, and adjusted based on the valuable feedback of those who took part in a pilot training on this topic in October 2021, in Wuhan, China.

We thank all the organizations and individuals who worked with us as we developed this toolkit. The document was developed by the China Centre for Promotion of SME Development under the guidance of Song Xuanyi, Policy Director and Hou Linyu, Researcher, in close partnership with Birat Lekhak, UN Women's Programme and Partnership Specialist and Liu Di, UN Women's Programme Analyst. We sincerely acknowledge the technical experts who authored the eight modules: Jin Tieying, Lin Guoqi, Hu Kehua, Yang Liyan, Wang Lei, Xie Lina, Zhang Ying and He Guicai. In addition, we appreciate the support from the SMEs Experts group, including Hu Minrui, Ai Jing, Lai Xiao, Ju Ning, Chai Deqiang, and Zhang Huirong, who were consulted throughout the draft, design and peer review process. We also appreciate the experiences and insights provided by Luo Yongli, Cui Yan, Deng Hongyun, and Fan Ge during the pilot phase of the toolkit, which helped us to refine the content, and the work of Jo Baker in helping us to edit the toolkit for an English-speaking audience.

Although this work was originally designed for women SME entrepreneurs in China, it has since been developed to be broadly applicable. With its step-by-step guidance, checklist and various tools, we hope that it becomes a self-learning tool for SME leaders across the world, so that they can better address risks and build their own gender-responsive business continuity management systems. It will also serve as a group training guide for practitioners, SME trainers and business supporting agencies that aim to promote a more resilient, inclusive and sustainable business environment.

UN Women China Office

China Centre for
Promotion of SME
Development

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ABOUT THIS TOOLKIT

This toolkit provides a grounding in risk control and business continuity for SMEs, with particular reference to the COVID-19 pandemic response. Based on the experience of the pandemic among SMEs in China, the toolkit has been researched and designed to meet the needs of women entrepreneurs worldwide, through self or group study, and will also be a resource for others in the sector. For more information, please see [HOW TO USE THIS TOOLKIT](#), below.



HOW TO USE THIS TOOLKIT

These resources have been developed for a range of women SME managers – from those who have little to no understanding of business continuity management, to those who wish to strengthen their capacity for risk control. It is also a resource for professional trainers. The toolkit focuses on combining theory with cases and exercises in a way that will develop users' practical skills and problem-solving abilities.

Eight modules are split across three stages.

The **ENTRY-LEVEL STAGE** offers a general introduction for those new to the practice and introduces the theory, scope and key operational steps of business continuity, with particular reference to the COVID-19 pandemic.

The **INTERMEDIATE-LEVEL STAGE** focuses on practical application across five modules. It guides users in the analysis of risk control and sustainable operation strategies across key dimensions of company management: top-level design, controlling fiscal and tax risk, marketing, compliance, and human resources. SME managers with some knowledge of risk control may wish to start here.

The **FINAL STAGE** of the toolkit is a case analysis module to help users practically apply and deepen their learning. This presents the strategies that real companies across different industries have used to control risk and manage crises, both related and unrelated to the pandemic.

The content can be delivered as a **two-day curriculum** by a trainer, with a direct training time of seven to eight hours. The general introduction will take around one hour to work through, the intermediate management practice modules will take five hours, and the case analysis modules will take two hours, excluding activities and reflection time.

Each of the eight modules follows the same structure: a main section provides theoretical analysis and case interpretation, preceded by pre-class questions and followed by in-class activities and after-class reflection prompts. Activities are supported by tools, ranging from comparative checklists and self-test tables to data analysis model and flow charts.

For **solo users**, the toolkit provides an opportunity to work from start to finish, writing notes, reflecting and self-testing while working through the various exercises. We encourage you to conclude the course by drafting your own business continuity plan, and ideally sharing it with someone else who has completed the course.

For **self-guided groups** or those working with a **trainer**, the activities section offers the opportunity for discussion, group work and role play. Where there are multiple groups we encourage each to choose representatives who will share learning among groups after discussions. We also advise that toolkit users write their own plans and share these for feedback with their groups.

1

AN INTRODUCTION TO BUSINESS CONTINUITY

MODULE 1 BUILDING A BUSINESS CONTINUITY MANAGEMENT SYSTEM

This section introduces the concept of and the need for business continuity, the scope of its application, and the building blocks for building a business continuity management system.

Key tools in this module include [TOOLS FOR DRAFTING A BUSINESS CONTINUITY PLAN](#), [A CRISIS LOSS CHECKLIST](#) and a [SAMPLE BUSINESS CONTINUITY PLAN](#).

PRE-CLASS QUESTIONS

1. What difficulties and risks face the operation of your company as a result of COVID-19? What other potential risks might your company encounter in addition to the pandemic?
2. Have you ever imagined a sudden incident at your company? How would you cope with those conditions?
3. What are the key lines of your company's business? What is generally the maximum recovery time that can be tolerated?
4. What are the key urgent recovery steps to take after a business interruption?



DISCUSS OR REFLECT:

What should Ctrip do to cope with the business interruption and customer losses caused by the pandemic and what emergency response steps should it take to minimize initial losses?

Case 1.1 A pandemic hits Ctrip, causing millions of canceled orders

On 27 January 2020, China's Ministry of Culture and Tourism announced that services like domestic and foreign package tours and 'air ticket + hotel' semi-self-service tours would be suspended in China due to COVID-19, which meant that the whole tourism industry would be in a half-closed state for a period of time. Overnight, millions of cancellations suddenly hit Ctrip, the number of customer service inquiries surged by 10 times and the telephone hotline became fully occupied, making it difficult for users to connect to an operator within an hour. Ctrip meanwhile needed to make urgent contact with more than 400,000 hotels in China and abroad, to negotiate cancellation measures for customers that would not threaten their business. This was an unprecedented challenge for its management team.

1.1 AN OVERVIEW OF BUSINESS CONTINUITY

What is business continuity?

Business continuity refers to the ability of implementing entities to quickly and systematically deal with, react and adjust to risks. The sustainability of a company requires a stable business continuity management system and a detailed business continuity plan (BCP).

As a comprehensive management process, the business continuity management system enables companies to recognize potential crises and their related impacts and create plans for emergency preparation, response and business recovery – to essentially improve their ability to mitigate risks and recover.

A BCP is a set of predefined and documented plans that lay out the core personnel, resources, actions, tasks, and data needed to restore business. Such a plan should be simple, effective and practiced periodically, so that the 'emergency state' can be triggered according to plan when a crisis happens.

The importance of having a business continuity plan

Recent years have seen businesses globally being threatened by a series of frequent and catastrophic disasters, including natural disasters, accidents, and public health and other emergencies caused by the COVID-19 pandemic. In this context, business continuity management plays an important role in the sustainable development of companies in three main ways:

- It maintains business operation in the case of sudden and catastrophic events, which can enhance market competitiveness;
- It meets the need to ensure risk mitigation, improves the risk awareness of companies and promotes a culture of tenacity in risk resistance; and
- It reduces costs, given that preventive measures tend to be much less costly than responsive measures.

Applying business continuity








APPLICABLE GROUPS

BCPs can be applied to many subjects, ranging from countries, cities, companies and functional departments to large, medium and small-sized units in all organizations and industries, both public and private. It especially applies to industries, start-ups and SMEs in high-risk and highly-regulated environments.

APPLICABLE SCENARIOS

There are seven main scenarios in which such plans can be applied, and this is determined according to the category of a crisis – for example, whether a natural disaster, a public health issue, a personnel or information crisis, legal risks, or a credit crisis. In practice, crises often tend to cluster together, bringing life to the adage 'when it rains, it pours'.

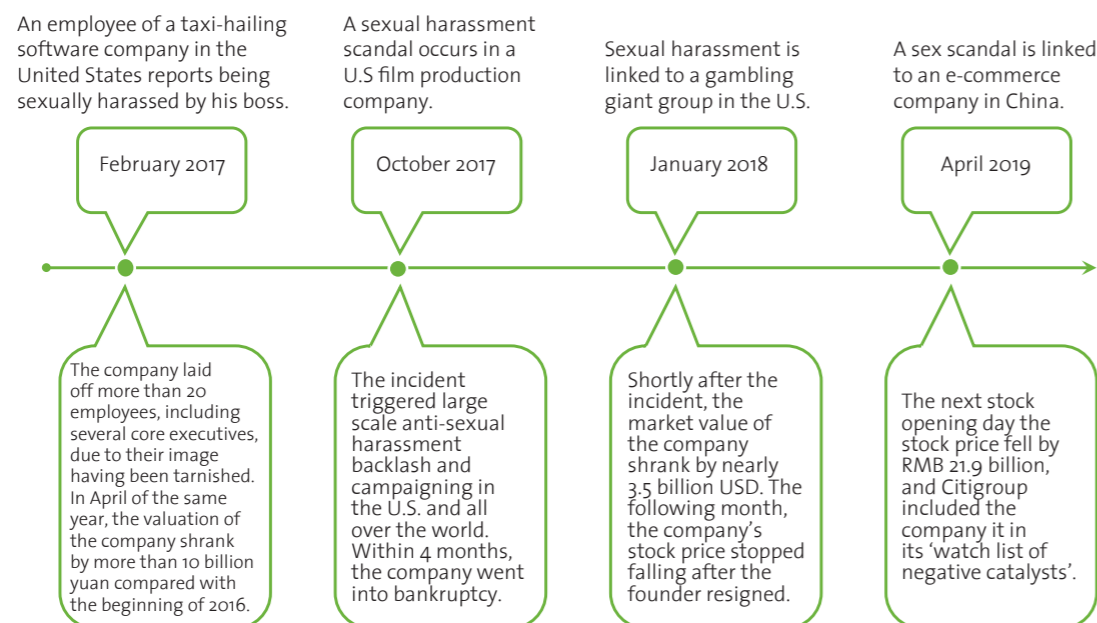
TABLE 1
Risk categories

Risk Categories	Crisis conditions
 Natural disasters	Earthquakes, typhoons, tornados, floods, deluges and landslides
 Accidents	Key equipment failures, energy supply failures, safety production accidents, dangerous chemical leakage, fires
 Public health events	Epidemics, pandemics
 Personnel crises	Key controllers or senior managers are suddenly unable to exercise their duties, departure of core personnel, labor shortage
 Information crises	Network attacks, core technology leakages, record tampering
 Legal risks	Labor disputes about gender discrimination, major financial and tax cases, major legal proceedings
 Crises of credit	Corporate brand image damage caused by business mistakes, sexual harassment scandals, rumors and slander

While some companies formulate BCPs in response to particular crises, there are often gaps in these. For example many have ignored the legal or credit-based impact of issues related to discrimination

or harassment, particularly around sex-based discrimination. In this case, most companies currently fall back on post-incident emergency responses, rather than focusing on prevention.

FIGURE 1
Sexual harassment-based crises



Sources: Bloomberg News, The Wall Street Journal

SMEs are weak in resilience and strong in substitutability, and so once negative news leads to customer loss, their sustainable development will be greatly affected. Yet many companies fail to include a gender equality perspective in their management supervision mechanisms and BCPs, which would help to prevent sexual harassment and related

risks. In leading the sustainable development of companies and promoting gender equality, women entrepreneurs have an opportunity to establish BCPs that incorporate gender sensitivity and reduce this risk, such as by incorporating the Women's Empowerment Principles (WEPs; see [APPENDIX 6: THE WOMEN'S EMPOWERMENT PRINCIPLES](#)).

1.2 THE BUILDING BLOCKS OF BUSINESS CONTINUITY

The building blocks of a BCP can be summarized as the '6R model': reduce, respond, recover, resume, restore and return.

FIGURE 2
The 6R model



Case 1.2 The 6R model in action

Tourist practitioners are seen to be more sensitive to disasters than other industries, if we consider sudden disasters such as SARS, Japan's major earthquakes in 2011 and the 2004 Indian Ocean tsunami. To reduce risk and provide for tourists, Ctrip – a Chinese travel agency giant – established an internal SOS emergency system; this has since been updated to a global

tourism SOS platform operated in partnership with others, such as the United Nations Development Programme (UNDP). The platform provides customers with 24-hour online services and responds to emergency needs within two minutes. This includes news, translation and medical services.

RESPOND – Hai Di Lao’s emergency response, prevention and control deployment

After COVID-19 related restrictions were introduced in the country (in which the movement of people and goods was restricted), senior managers of Hai Di Lao, one of the largest hotpot restaurants chains in China, established a headquarter for pandemic prevention and control, and clearly defined roles for senior management. Here, the chairman stood as commander-in-chief and was responsible for building the organizational structure; the chief operating officer stood as the first deputy commander-in-chief and was responsible for employee settlement and pandemic prevention; the chief strategy officer as the second deputy commander-in-chief was responsible for the emergency reporting mechanism; the executive director as the third deputy commander-in-chief was responsible for the distribution of supplies; and a trustee was the fourth deputy commander-in-chief, responsible for fund dispatch management.

RECOVER – Hai Di Lao’s anti-pandemic plan

After Hai Di Lao was closed due to the pandemic, the focus of senior management turned to pandemic prevention and control, employee settlement, supply chain security, food control, and an information feedback mechanism. Therefore, food safety and supply stability could be guaranteed based on the settlement, comfort and management of nearly 100,000 employees in more than 100 cities across the country. Hai Di Lao released a recruitment

notice for an advisory group of pandemic prevention experts and set up an advisory group.

RESUME – Hai Di Lao remodels the supply chain system.

Yihai International is Hai Di Lao’s exclusive hotpot seasoning supplier, with branches in Malaysia and California as well as China. Hai Di Lao’s senior managers contacted Yihai’s board of directors to ensure production in their overseas factories and therefore help meet demands in overseas markets and supplement parts of the demand in domestic markets. At the same time, Hai Di Lao adopted various means like self-established plants, Original Equipment Manufacture (OEM) processing, and cooperation with supply chains in host countries outside of China, improving the production capacity of the supply chain within half a year.

RESTORE – DEC’s post-earthquake reconstruction

The production base of Dongfang Turbine Co., Ltd., part of the Dongfang Electric Corporation (DEC), was destroyed in China’s Wenchuan earthquake in 2008. A total of 308 employees died in the earthquake, 70% of the plant collapsed, and more than 2,000 devices were damaged, leading to economic losses of RMB 2.7 billion yuan. It took more than 500 days for DEC to complete its reconstruction and resume operation. After the earthquake, DEC saw its production and operations grow, against expectations, and in 2010 the output value was 20 billion yuan, double the level before the earthquake.

1.3 SIX STEPS TO A BCP

Step One: Setting up

First of all, it is necessary to meet the basic requirements of a BCP, including general consent from company managers, setting objectives and tasks, and determining the resources that can be mobilized within the company, along with the required time and budget arrangements.

Step Two: Assessing risk

ASSESSING EXTERNAL RISK

The matrix analysis method is often used to evaluate external risks. This divides external risks into risk damage degree and risk frequency, and determines the influencing degrees of external risks.

TABLE 2
Reference standard for degrees of risk damage

Risk rating	Possible damage	
	Degree of damage	Estimated losses (RMB)
E	More than one person died	Over 1,000,000
D	Many people were seriously injured or infected	40000-1000000
C	One person was seriously injured or infected	10000-40000
B	Many people were slightly injured or infected	2000-10000
A	One person was slightly injured or had close contact with a confirmed case	0-2000

TABLE 3
Reference standard for risk frequency and grade

Insignificant	Minor	Medium	Significant	Catastrophic
Never likely to happen	Once every more than 10 years	Once every 10 years at most	Once every 5 years at most	Once or more in 1 year

TABLE 4
Risk matrix analysis

Risk assessment matrix							
Grade of occurrence possibility	E	Very high	II	III	III	IV	IV
	D	High	II	II	III	III	IV
	C	Medium	I	II	II	III	IV
	B	Low	I	II	II	III	III
	A	Extremely low	I	I	II	II	III
			1	2	3	4	5
			Insignificant	Minor	Medium	Significant	Catastrophic
			Degree of risk impact				
Risk rating: I - acceptable II - slight III - medium IV - significant							

ASSESSING INTERNAL RISK

It is therefore necessary to judge the risk and tolerance for risk that a company may face based on its own needs and risk rating, to rank the risk prevention and control priorities according to the risk rating and the company's ability, and to submit them to the decision-making level for decision.

TABLE 5
Internal risk-rating form




Risk Categories	Risk tolerance	Risk rating	Countermeasures
Risks to be addressed	Unbearable risks	High	Balance between cost and profit to determine the coping strategies
	Unavoidable risks	Medium	Formulate contingency plans and reduce risk impacts
	Residual risks	Medium	
	Tolerable risks	Low	Hold on, assess regularly, and keep an eye on changes in risk
Risks not needed to be addressed		Low	

Note: Residual risks refer to the risks that cannot be completely avoided by prior action and that the company knowingly fails to manage in advance for cost or other reasons.

Step Three: Analyzing the impact on business

To analyze risk impact, related information should be collected comprehensively for each of a company's departments using qualitative and quantitative data.

TABLE 6
List of information to collect

Serial number	Channel of information	Expected effects	Advantages and disadvantages
1	 Internal meeting	Can give a comprehensive understanding of the business risks of each department in the company	Allows for in-depth analysis of the risk points in the company's business, but with few sources of information or verification
2	 Questionnaire survey	Large amounts of data and information sources can be obtained	Makes the information channels more abundant, but incomplete questionnaires will affect the survey quality
3	 External interview	Can supplement and correct possible risks	Makes it possible to understand external risks, but is less relevant to internal conditions






COLLECTING INFORMATION

To cope with personnel or legal crises in a more prepared way, attention should be paid during information collection to gather the different

perspectives and interests of men and women employees. This will valuably allow an organization to understand and respond to potential problems from a gender perspective.

QUALITATIVE AND QUANTITATIVE ANALYSIS

TABLE 7
Qualitative and quantitative data analysis

Serial number	Mode	Content
1	 General operational data	Times of operation, number of customers, important time periods, peak business volume, etc.
2	 Impact of business operation	Estimated duration of sudden business interruption, and whether there is an alternative supply channel.
3	 Influences of cost and income	Estimated income impact, increased expenses, rental of additional equipment and personnel costs.
4	 Possible legal responsibilities	Default risks such as breach of contracts or violation of relevant regulations.
5	 Impact of the company's reputation	Such as if a company is caught in a public crisis in the short term and loses trust from customers or even loses customers in the long term.

It should be noted in Item 4 in Table 7, above, that women tend to be more vulnerable to the negative impact of business interruption or contract default in a crisis because of current social structures; For example, because of caretaking responsibilities or company perceptions related to this (see Case 4.2 as an example). Therefore enhancing the protection of women employees in business training has far-reaching significance for avoiding reputational and legal risks.

COMPILING A RISK ASSESSMENT REPORT

Risk assessment reports should generally include: a risk overview; an introduction to the work process; a description of target resources, analytical methods and processes; analysis and evaluation conclusions; and recommendations for subsequent work.

TABLE 8
Risk assessment report

Risk assessment report	
Department: _____; Written by: _____	
1. Overview	Objectives, ranges, contents, etc. of the business impact analysis.
2. Implementation process	Related national standards, norms, industry regulatory requirements, analysis ideas, etc.
3. Methods of analysis	Related national standards, norms, industry regulatory requirements, analysis ideas, etc.
4. Analysis of business impacts	A summary of results in relation to important business functions, products and services. This includes explaining the evaluation data and determining: key business interruptions; the tolerable maximum recovery time of various types of business; a priority level for the recovery of important businesses and channels; the state of mutual relations among important businesses; and resources needed to support the operation.
5. Conclusions about business impacts	These can include the time frame, priority level and minimum resources needed for the recovery of important business.

Step Four: Drafting a BCP

As discussed above, a BCP helps to prevent or reduce the interruption of business in companies in the case of major problems or disasters. The plan applies to various lines of business, including instances where products cannot be delivered or services cannot be provided. A BCP should be headed with information

on the edition, date, authors and any approval sign-offs, among other data, as below.

The following (Table 9) combines four checklists for approaching a BCP. Please note that this particular composition of duties and staff are a sample, for reference only, and may vary per company.

BCP

TABLE 9
Checklists for a business continuity plan

Document codes:	Issue date:	Drafted by:	Reviewed by:
Edition:	Page:	Approved by:	

Checklist: Key functions and their tasks in a BCP

BCP roles	Positions	Assignment	
BCP team leader	Chairperson	Planning and managing the operation of the overall BCP implementation	<input type="checkbox"/>
BCP deputy team leader	General manager	Assist the team leader to manage the operation of BCP team	<input type="checkbox"/>
BCP secretary	Secretary to the president/vice general manager	In charge of actions of the BCP team	<input type="checkbox"/>
BCP team members	Department lead	Participating and coordinating with the operation of the BCP team	<input type="checkbox"/>
BCP execution	Key members of business departments	Emergency execution of BCP	<input type="checkbox"/>

Checklist: BCP operational mechanisms

BCP planning			
Leading departments	General administrative office		<input type="checkbox"/>
Risk rating assessment	Please refer to the risk assessment matrix model in the context for details.		<input type="checkbox"/>
Risk treatment operation mechanism BCP team members BCP execution	Low risk:	If this situation occurs and is handled by each responsible lead, the results should be reported to the deputy team leader of the BCP team.	<input type="checkbox"/>
	Medium risk:	If this situation occurs and is handled by launching the emergency plan, the results should be reported to the leader of the BCP team.	<input type="checkbox"/>
	High risks:	If this situation occurs and is handled by launching an emergency plan and crisis management plan, the BCP should be launched and enter into the 'wartime' state immediately.	<input type="checkbox"/>

Checklist: BCP approach and related duties

Composition of a BCP					
Emergency response plan	Risk judgment	If the risk will cause losses or business disruption to the company, take emergency action within 2 hours of the disaster to minimize loss.		<input type="checkbox"/>	
	The response plan	Content		Person(s) in charge	
		The emergency response plan for earthquakes		Head of the general administrative office	<input type="checkbox"/>
		The emergency response plan for fire disasters		Head of the general administrative office	<input type="checkbox"/>
		The emergency response plan for floods		Head of the general administrative office	<input type="checkbox"/>
		The emergency response plan for major epidemic diseases		Head of the general administrative office	<input type="checkbox"/>
		The emergency response plan for major product problems		Head of the quality control department	<input type="checkbox"/>
		The emergency response plan for supply interruption		Head of the product production department	<input type="checkbox"/>
		The emergency response plan for industrial accidents		Head of the general administrative office	<input type="checkbox"/>
The emergency response plan for mass employee turnover		Head of the product production department	<input type="checkbox"/>		
Crisis management plan	Judgment of risk	In the case of a 'high' risk, the information should be reported to the president or general manager quickly and accurately so that the management can make correct decisions and start the business recovery plan smoothly.		<input type="checkbox"/>	
	Risk response	Duties		Person(s) in charge	
		Seize the 'golden period' in the early stages of the disaster and expedite internal and external communication channels in a timely manner.		Head of the general administrative office	<input type="checkbox"/>
		Communicate with customers, suppliers, shareholders, employees, family members of employees, governmental departments and media effectively.		Person in charge of the sales department, the purchasing department, the human resources department, and the external relations department	<input type="checkbox"/>
		Start the business recovery plan within 24 hours of an accident.		The leader of the BCP team	<input type="checkbox"/>
When to start the BC plan	After the accident emergency treatment is completed, the business recovery (aftercare) stage of the BCP plan should be launched		<input type="checkbox"/>		
Business recovery plan	The response plan	Content		Person(s) in charge	
		Specify the maximum lockout time allowed		Leader/deputy leader of the BCP team	<input type="checkbox"/>
		Confirm the resources needed to resume business operations, such as electricity, raw materials, suppliers, etc.		Secretary of the BCP team and related business departments	<input type="checkbox"/>
		Evaluate and confirm the alternative scheme for business operation		BCP team members	<input type="checkbox"/>
Start the recovery plan based on the actual situation		BCP execution	<input type="checkbox"/>		

Checklist: The management and integration of BCP documents

Management and integration of documents				
General requirements	The above plan should be clearly defined in internal documents and integrated with other organizational documents of the company, keeping the BCP plan and files updated regularly, and relevant personnel aware.			<input type="checkbox"/>
Detailed content (6 lists and 3 plans)	Lists	Names and contact number list of the BCP team		<input type="checkbox"/>
		Contact list for external agencies		<input type="checkbox"/>
		Emergency escape procedure		<input type="checkbox"/>
		List of important mechanical equipment		<input type="checkbox"/>
		List of auxiliary equipment		<input type="checkbox"/>
		List of important suppliers		<input type="checkbox"/>
	Plans	Production capacity transfer plan		<input type="checkbox"/>
		Financial continuity plan		<input type="checkbox"/>
		IT continuity plan		<input type="checkbox"/>
Document management	BCP files must be archived and backed up outside the company to avoid losing them in an accident.			<input type="checkbox"/>
	Content	Time	Objective	
Practice and optimization	Exercise	1 year	Familiarize each department with the BCP response process to ensure that it is truly effective	<input type="checkbox"/>
	Records	1 year	Record the conditions required for the BCP and revise accordingly	<input type="checkbox"/>
	Revise	Irregularly	Revise the BCP to meet the actual situation of the company and ensure the applicability and effectiveness of the plan	<input type="checkbox"/>
	Review	1-2 years	Ensure that the plan can meet the demands of the company in scale and nature.	<input type="checkbox"/>

In the above working mechanisms and division of responsibilities, a certain proportion of women managers and women employees should be included to promote gender equality at the decision-making level and ensure a gender perspective. Achieving this may need to involve steps such as increasing the number of qualified women in management, and ensuring that both men and women are represented

across types of decision-making and are meaningfully consulted. Research has indicated that gender responsiveness improves the quality of corporate decision-making. Please see more on this in [Appendix 6](#) on the UN's Women's Empowerment Principles (WEPs), which includes principles such as: 'Establish high-level corporate leadership for gender equality'.

Step Five: Exercising and testing

The exercise and the test should be conducted according to the following principles. Firstly, ensure that the business continuity objectives are consistent to avoid internal conflicts in the plan. Secondly, cultivate team spirit and ability, and make the BCP team and related personnel familiar with the work. Thirdly, complete the formal drill report and revise the BCP regularly according to changes in the organizational structure and operating environment.

Step Six: Monitoring and improving

Conduct an internal audit and evaluation of the plan according to a planned time interval (one year at most), and propose improvements accordingly. This will ensure that the plan stays relevant, effective and comprehensive.

ACTIVITIES

In-class activity



Where possible, make groups comprised of three people and assign the following roles in each group: chairperson, deputy general manager and regular staff member.

- As a group, decide on the top two risks that may exist in a chosen company. Then refer to the risk matrix analysis and risk rating assessment in [TABLE 4](#) above and in [APPENDIX 1](#) and [2](#), to plan and draft a BCP, in accordance with the roles set.
- The chairperson and the deputy general manager should be responsible for dictating the plan, and the staff member should record it in an appropriate format.
- The chairperson can report the company's crisis response methods and processes on behalf of their group, to other groups.
- Solo users can use the tools provided to draft the full plan.
- Where applicable, trainers can provide input and guidance.

After-class reflection

In your own time, please reflect on the business situation of your company and conduct a brief business impact analysis.

- Determine your most important business as well as the priority level, recovery time objective, and business recovery point objective.
- Determine the minimum resources needed for important business recovery.
- Conduct a risk matrix assessment and list seven major risks facing your company. Please also refer to [APPENDIX 6: THE WOMEN'S EMPOWERMENT PRINCIPLES](#)

2

APPLYING BUSINESS CONTINUITY

MODULE 2 BUILDING TOP-LEVEL DESIGN SYSTEMS

This section introduces how to ensure crisis management and preparedness in the design of companies' top-level management systems, both when a crisis occurs and in the post-crisis period.

Key tools in this module include [STRATEGIES FOR MAINTAINING A STABLE CASH FLOW AND MANAGING HUMAN RESOURCES](#), and [STRATEGIES FOR MARKETING INNOVATION AND BUSINESS ADJUSTMENT](#).

PRE-CLASS QUESTIONS

1. What problems has your company faced since the pandemic broke out? What are the roots of these problems?
2. How profitable is your company in its industry? What are its competitive advantages?
3. As the pandemic normalizes, have you already adjusted your business objectives and development plans for the next three years?
4. Does your company have a defined organizational chart, detailing responsibilities, and rights? Were internal operations smooth and efficient during the crisis?



DISCUSS OR REFLECT:

What lessons are worth learning from this response?

Case 2.1 Gree Group's pandemic response plan

The COVID-19 pandemic hit the household appliance sector hard. The resumption of work for production departments (on the production side) was blocked, and the fixed costs and staff salaries remained high. At the same time, a number of outlets (on the sales side) were forced to close, resulting in a serious loss of customer flow. In addition, communities (on the demand side) were closed, and workers could not visit customers and install products. In February 2020, Gree Electric lost about 20 billion yuan, which is almost equivalent to the net profit of the whole company in 2019. Gree's senior management formulated three core schemes to cope with the pandemic rapidly. It did so firstly by giving top priority to pandemic prevention to achieve zero confirmed cases among staff; secondly, by adjusting its production lines and investing 20 million yuan to establish Zhuhai Gejian Medical Science and Technology Co., Ltd. and produce pandemic response materials; and thirdly, by increasing its investment in science and technology to develop and produce antiviral products such as air sterilizers.

2.1 THE 'WARTIME' TOP-LEVEL DESIGN OF A CRISIS

Three principles for high risk situations

When high-risk events occur, companies should quickly enter a 'war-ready' state and adhere to three principles: centralized management, encouraging morale and seizing opportunity. The governance structure of a company should be adjusted from 'vertical' to 'flat' mode, to ensure that the decision-making level can

obtain first-hand information as soon as possible. At the same time, managers should motivate the team and their respective responsibilities for emergency management (listed in [Table 9: Drafting a BCP](#)). Finally, opportunities should be seized to exceed the curve and create value for customers.

Key crisis response steps

1. MAINTAIN A STABLE CASH FLOW

TABLE 10
Strategies for maintaining a stable cash flow




Serial number	Mode	Content
1	Rent and business contracts	In the event that the company adapts its focus or scale to national policies, or it is possible to reduce or delay the payment of rent, collect the certificate of force majeure and strive for contract fulfillment, adjustment or delay.
2	Preferential policies	Research and adapt to supportive policies to help companies and relieve operational pressure.
3	Bank loans	Standardize company governance and strive for preferential loans from banks.
4	Equity financing	The capital will flow to countries or regions with stable pandemic prevention and control situations, and companies should seize the opportunity to develop equity financing (employee shareholders and financing from the capital market)
5	Comprehensive reduction of costs	Reduce operational costs (technologies, materials, inventory, etc.) to shore up cash flow.

2. TAKE A FLEXIBLE APPROACH TO HUMAN RESOURCE MANAGEMENT

TABLE 11
Strategies for flexible human resource management

Serial number	Mode	Content
1	Employees who have not returned to work	Companies that can't accommodate telecommuting can negotiate with employee to use various vacations such as paid annual leave.
2	Home-based office management	Increase the intensity of performance assessment and ensure constant training even during shut down. Negotiate with employees to adjust the structure of their salaries, by changing the proportional relationship between fixed wages and floating wages.
3	Diversified employment	Companies with short project periods can solve personnel problems with business outsourcing, labor dispatching and flexible employment.
4	Personnel outsourcing	Companies in special difficulty can sign contracts with third-party labor dispatching companies to outsource employee for the short term, to relieve the pressure of personnel costs.

TABLE 12
Strategies for marketing innovation and business adjustment

Serial number	Mode	Content
1	 Take on social responsibilities and become social influencers	The founders of The Lancet Barbecue restaurant chain previously worked in hospitals. The Lancet Barbecue opened a restaurant after the pandemic just to provide medical workers with free take-out lunch, which was highly praised by society.
2	 Innovate marketing ideas and promote product values	HEY TEA has successfully endowed a cup of milky tea with cultural connotations to meet customers' demands around psychology, taste and experience.
3	 Implement multi-channel marketing based on new media	Senior managers of BESTORE in Wuhan actioned a rapid 'self-help movement' via networks and new media, along with a take-out and delivery service.

Classic case analysis: The crisis management of Baman Rice Flour

Background

The restaurant chain Baman Rice Flour adopts a direct store model, concentrated on the top 50 commercial complexes in Beijing. The outlet stores are both support for the brand and the source of the customer flow. 90% of customers in offline outlets order meals via app. On average, if there are about 300 users per outlet, 70% of the company's total revenue may be obtained from offline user traffic. Baman Rice Flour planned to open at least one outlet every day from 1 January 2020 to the next Spring Festival, and this number increased from less than 40 to more than 60. The pandemic then occurred, and the expansion of outlets occupied large amounts of the company's cashflow. Although the outlets will soon realize cash flow recovery, the outbreak of the pandemic places Baman Rice Flour in a very difficult situation.

The top strategy: Maintain cash flow

Salaries and other fixed expenditure of Baman Rice Flour had totaled more than 20 million yuan every month, and the company was in a position to maintain cash flow for about two months after the pandemic. According to its calculations, it could last until July or August at most if no rent was paid, salaries were reduced or

delayed, the payment of goods for suppliers was suspended, and the payment of social security was suspended – providing time and space for the company to deal with the crisis. At the same time, the government issued more preferential policies in response to the pandemic, including a preferential loan policy to support SMEs. Senior management quickly led the team to sign credit lines with a number of banks, thus solving the cash flow problem.

The middle strategy: Keep employees' morale high

There were more than 400 employees in more than 60 outlets of Baman Rice Flour, all young people who had not returned home for the spring New Year celebrations. The president of the company communicated with employees every day during the pandemic and organized various types of entertainment activities to encourage them. In addition, managers were particularly 'inward-looking', with 50% salary reductions made at the leadership level and 80% salary reductions made at the manager level. All employees were paid the basic salary, and outstanding pay was reissued after the pandemic. For employees with financial difficulties, the management privately lent them funds to help tide them over. In this way, employees' confidence was very high, instead of being bruised.

The bottom strategy: Seek new opportunities

The management found that although Baman Rice Flour could not operate as usual, the sales volume of their intermediate goods and rice flour was good. For this reason, it seized the opportunity to provide all employees with 72 hours of online training, and most employees were encouraged to learn e-commerce. With the great

efforts of the management of Baman Rice Flour, the company quickly reversed its poor cash flow situation. When other catering companies closed down one after another, the brand popularity of Baman Rice Flour was further expanded and the customer recognition and dependence gradually increased.

2.2 THE POST-CRISIS 'NORMALIZATION' OF TOP-LEVEL DESIGN

Organization planning

ESTABLISHING A GENDER-BALANCED DECISION-MAKING TEAM

Gender balance is a key aspect of diversity, which is key to developing a fair and equal society and is important as a core value. Women managers also often bring in stability and continuity to company business, or even disruptive innovation. Research by Boston Consulting Group (BCG), for example, has attributed greater gender balance to better commercial performance.¹ A research

group at China's Development Research Center of the State Council found that men entrepreneurs are more concentrated in the manufacturing industry (64%), whereas women entrepreneurs are widely distributed across industries, including manufacturing (21.5%), wholesale and retail (15.3%), medical, beauty, health, and service (8.2%), and accommodation and catering (7.1%). In addition, the sales profit rate of women-owned companies (20.95%) is about twice that of male companies (10.18%).

¹ According to the research conducted by BCG with more than 1,700 companies all over the world, companies with more gender-balance in management teams (with 40% or above women managers) have generated income of 34% of the total combined created income in the latest three years, compared to the average level of 25%.

FIGURE 3
The proportion of male and women entrepreneurs across industries

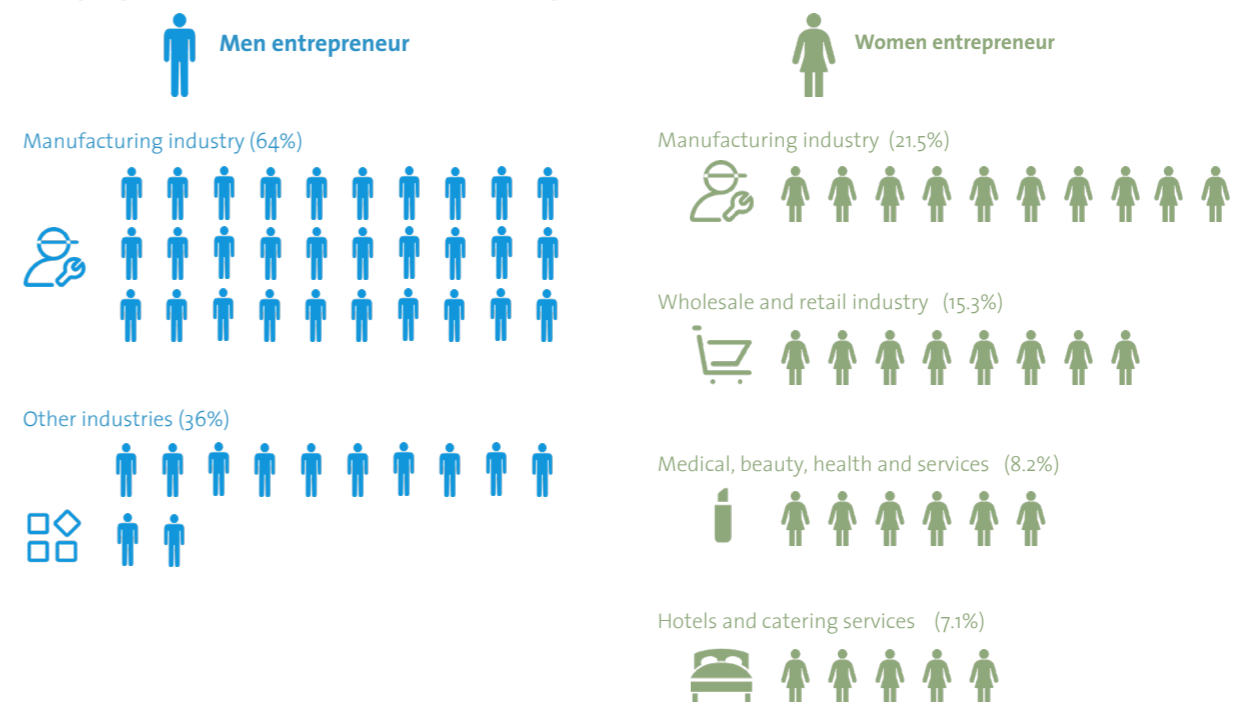
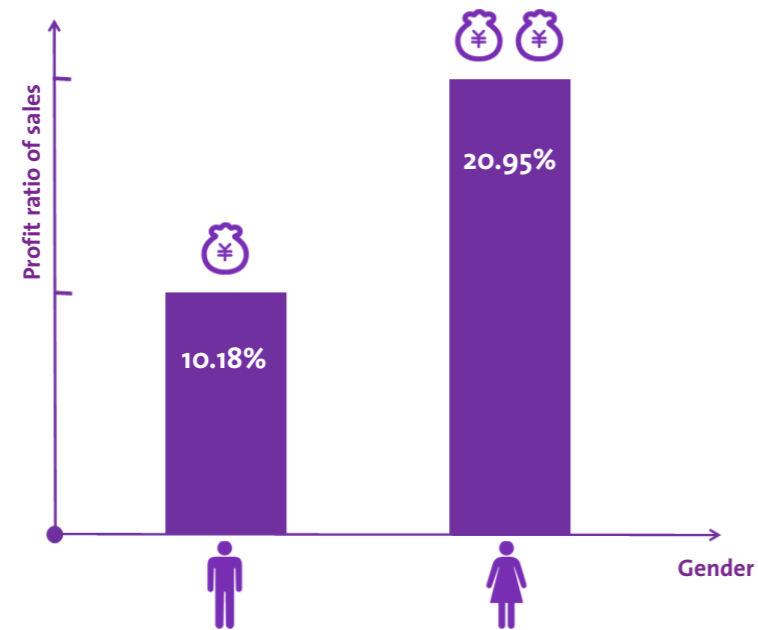


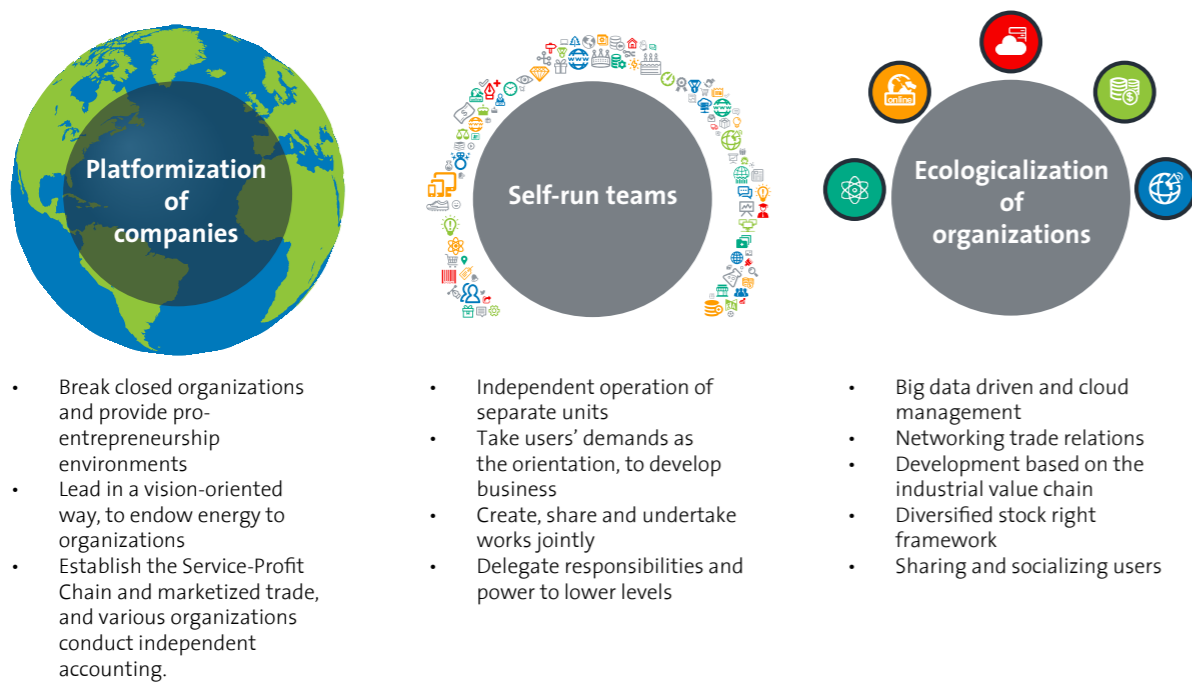
FIGURE 4
The sales-profit rate achieved by male and women entrepreneurs



FUTURE TRENDS FOR ORGANIZATIONAL DEVELOPMENT

The organization of companies in the future will tend towards big platforms, small front ends, abundant ecology, and common governance structures, with the following connotations:

FIGURE 5
Future organizational development models



Case 2.2
Handu Group innovates and stimulates its employees

Handu Group was ranked in first place by fans in the women's wear category, in a 2020 Tmall contest (Tmall being one of China's largest online comprehensive shopping platforms). The rapid development and growth of Handu Group was driven by the innovative design of its 'trinity' organization, which focused on being 'fashion forward', on website marketing and promotion,

and on the management of its supply chain. The design of these is flexible with clear and coherent responsibilities and rights for employees. This has increased employees' work initiative and potential more effectively than the layer-upon-layer reporting approach to markets and customer information utilized by other companies.

TABLE 13
List of responsibilities and rights of the Handu Group project team

Serial number	Mode	Content
1	Sales tasks	Amount of sales, gross profit rates and inventory turnover
2	Responsibilities and limitations	Confirm styles, sizes, inventory, standard sales price and degree of promotion activity
3	Profit sharing	Implement profit sharing, and the push money of the profit of the project group = sales * gross margin * deduction percentage

Commercial innovation design

Commercial innovation design involves three key aspects: company, business and industry. For companies it includes innovations related to products, marketing, process, organization and profit modes. For businesses, innovations relate to customers, business

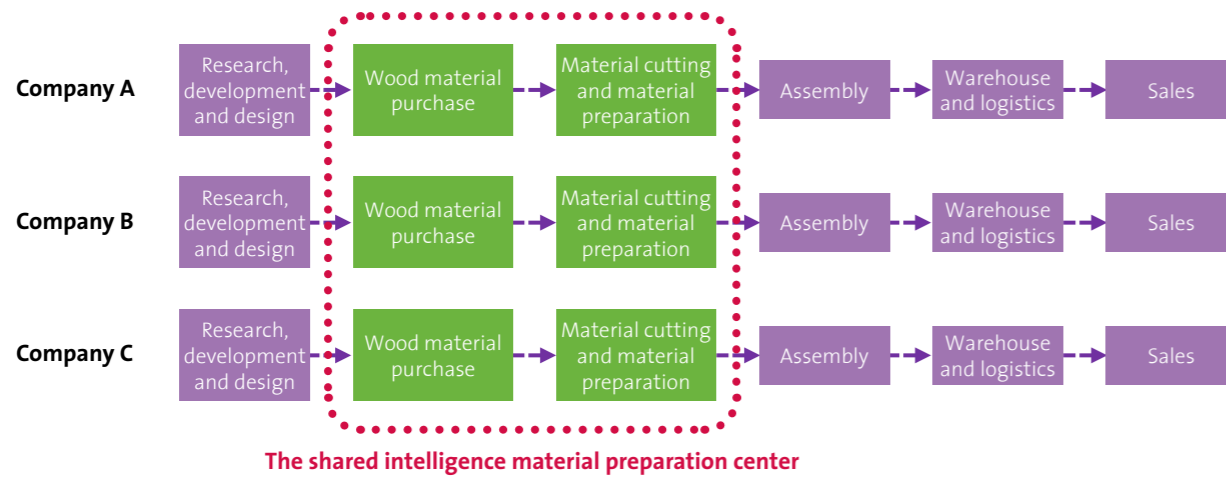
chains, value chains, and capital resources. For industry meanwhile, companies approach resource integration and innovation based on customer flow, income flow, trade flow, capital flow, and information and data flow.

Case 2.3
A shared center helps traditional industries innovate

As an emerging furniture-making center, Ganzhou Nankang county in Jiangxi province hosts more than 6,000 furniture manufacturers. Most of them have similar commercial modes, a lack of upstream and downstream industry supporting or divisions of labor, and most are small-sized companies that take different approaches, leading to low production efficiency, high costs, and poor overall competitiveness. Based on commercial mode innovation, Nankang Urban Construction and Development Group built a shared intelligence center. This center

links raw material purchasing with material cutting and stock preparation in one place for all the manufacturers. The cost advantage of centralized purchasing and the scale advantage of centralized processing meant that both the processing efficiency and production costs were maximized. All the furniture companies can now obtain lower-cost raw materials and realize higher production efficiency, which has improved the competitiveness of the whole furniture industry.

FIGURE 6
The commercial innovation logic of the Nankang Urban Construction and Development Group



This commercial innovation practice can be promoted in industries that have a lot of SMEs or industry cluster districts, to improve the competitiveness of the whole industry and related companies.

ACTIVITIES

In-class activity



Time:
15 minutes

Discuss or reflect on Case 1.4 above, including the strengths and potential challenges of the approach, and how it might be applied in other companies. Where applicable, trainers can provide input and guidance.

After-class reflection

After class, students may wish to organize their own core management teams to share the basic contents and concepts of top-level design of companies. In doing so they should consider the industry characteristics, the current conditions of the company, and the development objectives of the company in the future. Based on this discussion, students should draft a framework for the upper management of the company. Be sure to incorporate a gender perspective into this design process and list measures to ensure gender equality.

3

APPLYING BUSINESS CONTINUITY

MODULE 3 PREVENTING AND CONTROLLING FINANCIAL AND TAX RISK

This section introduces the financial strategies commonly adopted by companies in response to a crisis, focusing on common fiscal and tax risks for SMEs and how best to mitigate them.

Key tools in this module include a [SUMMARY OF BASIC COMPANY FINANCIAL AND TAX CONDITIONS FOR COMPANIES](#), tax risk checklists ([ONE](#) and [TWO](#)) and two [TESTS FOR FINANCIAL HEALTH](#).

PRE-CLASS QUESTIONS

1. How has the pandemic affected your company's business revenue? Have there been any cases of business suspension, bankruptcy, merger or acquisition, etc.? How profitable is your company in its industry? What are its competitive advantages?
2. During the crisis, has your company paid wages, payments due, taxes and bank loans on time?
3. Have you identified corporate finance and tax risks yet? Have you conducted any crisis response exercises?



DISCUSS OR REFLECT:

What would the financial and tax implications be if your company was located in this area or in this building? During the pandemic a large number of companies faced capital chain ruptures because of excessive investment. Would this place your company under financial pressure?

Case 3.1 A partial lockdown in Guangzhou leads to business interruption

Guangzhou entered into a partial lockdown state due to the pandemic on 31 May 2021, with restrictions on the movement of people in villages located in medium-risk areas. The passenger train station of Fangcun Village was closed on 29 May 2021, along with seven other railway stations within the prevention and control areas. During the prevention and control period, subway stations only allowed exiting – for those who had already started travelling when the lockdown was imposed.

Case 3.2 Shenzhen's SEG Plaza is closed due to vibrations

Vibrations were felt in SEG Plaza, a tall, landmark building in North Huaqiang, Shenzhen, on the afternoon of 18 May 2021. Owners, merchants, and tenants were notified that that, to allow inspection, access would be suspended to the office building and electronic market on 21 May, until after the relevant inspection works had been completed.

3.1 FINANCIAL STRATEGIES FOR CRISIS RESPONSE

Basic principles

Financing is a lifeline for companies. Therefore firstly, when a crisis occurs, cash remains 'king' and it is important to adjust annual financial plans as soon as possible. Secondly, it is important to follow the

principles of 'guarding' cash flow and controlling costs. Finally, 'attack' to motivate rewards and penalties among employees, and model innovation.

STEP 1 Determine the minimum capital safety line

The time afforded by the level of cash in hand should be evaluated, along with the extent of the likely capital chain rupture. Ideally the exact month or even week of

the foreseen rupture should be calculated, and then the risks assessed.

STEP 2 Comprehensively review costs

Classify costs and expenditure as fixed costs, changing costs, controllable costs, and uncontrollable costs in a cost structure chart. Used for major cost project analysis, this determines which specific costs and expenditure should be kept, cut, reduced or increased. Then check through accounts payable items and the company's fund payment plan for the

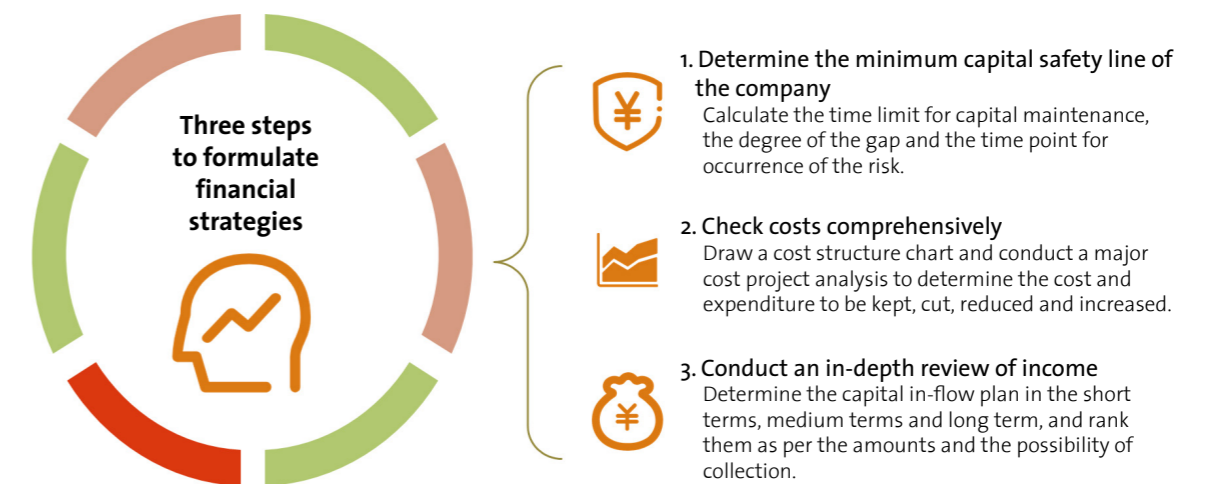
past one month, three months, six months and one year. Cash expenditure should be classified according to its priority: list which expenditures are necessary and urgent, and which can be postponed or paid in installments without causing major crises such as closing the company. All kinds of expenditure can be categorized according to the amount and priority.

STEP 3 Conduct an in-depth review of income

Pull together a detailed customer list of accounts receivable. Review the businesses cash inflow plans for the past one month, three months, six months and one year, sorting items according to the amount and the probability of receiving payment. Firstly, list out which collections can likely be recovered within one month. The relevant decision-makers in the sales department, finance department, supply chain and upper management should immediately prepare and

action a collection plan, with assessment, reward and penalty indicators. Secondly, research subsidies, tax relief, and other preferential national policies related to the crisis in question if applicable, apply immediately if possible, and formulate check indexes for related work. Thirdly, strengthen communication with credit departments in other domestic and foreign-funded banks to set up other sources of funding.

FIGURE 7
Three steps to a financial strategy



Common financial and tax risks for SMEs

- **CAPITAL RISKS**

Capital risks include reduced profitability, a ruptured capital chain, and the improper employment of financial core positions.

- **EQUITY RISKS**

Equity risks includes the risk of capital loss caused by the improper design of the equity ratio, unreasonable pricing of equity incentives, and an unclear exit mechanism for shareholders.

- **ACCOUNTING RISKS**

Financial and tax accounting risks include various legal risks due to nonstandard accounting management, unsound financial systems, and a lack of awareness of tax risks.

3.2 MEASURES TO COPE WITH FINANCIAL AND TAX RISK

Gain necessary knowledge and understanding

First of all, a correct grasp of the issue should be established, particularly on the essential differences between tax planning and tax evasion. Proper tax planning can reduce tax risks and tax burdens.

TABLE 14
Tax red lines and code of conduct

Content	Tax planning	Tax avoidance	Tax dodging
Legal perspective	Legitimate	Non-violative	Violative
Morality and ethics	Fairness	Against morality	Violation of morality
Operational characteristics	Highly intelligent, comprehensive and elaborate research and selection	Medium	Violates regulations in tax laws and commits fraud
Personnel characteristics	Understands economics, laws, tax revenue and calculation	Low	Abuses power for personal gain
Influences on operation and economic benefits	Guides and promotes production and operation activities	Low	Violates the principle of fair competition and destroys economic order
Purpose	Tax benefits	Understands economics, laws, tax revenue and calculation	Tax benefits

Set up or improve financial and tax systems

SET UP BASIC STANDARDS FOR INTERNAL CONTROL

A good internal control system can control corporate risks by ensuring the realization of strategic objectives, along with corporate compliance, truthfulness in financial statements, and operating efficiency. It mainly includes the following elements.

TABLE 15
Internal control of companies

Internal control of companies	
Organization chart	Development strategy
Human resources	Social responsibilities
Company culture	Capital activities
Purchasing business	Asset management
Sales business	Research and development
Engineering projects	Guarantee business
Business outsourcing	Financial statements
Comprehensive budgets	Contract management
Internal information delivery	Information systems

ESTABLISH A COMPREHENSIVE BUDGET

Budget management is an important part of internal control systems and it is necessary to establish systems of organization, as in the following table.

TABLE 16
Building a budget: content and responsibilities

Budget content	Responsible departments
Business budget	Business departments
Sales budget	Sales department
Production budget	Production department
Purchasing budget	Purchase department
Expenditure budget	Related departments
Capital budget	Board of directors/Finance department
Financing budget	Board of directors/Finance department
Financial budget	Finance department
Cash budget	Finance department
Statement budget	Finance department

Ensure appropriate and reasonable investments, mergers and acquisitions

It is difficult to avoid capital shortages and investment failures, but this becomes a priority

when there is a crisis. During a pandemic or crisis, investment should follow the principles of safety, legality, liquidity, efficiency, and integrity.

REFLECT

At this stage we advise that you spend time reviewing some of our additional tools in the appendices and carrying out a self-assessment. [APPENDIX 3](#) is a summary of basic company financial and tax conditions, which will help you identify your company's main financial data and test your familiarity with your company's finances. [APPENDIX 4](#) features two tax risk checklists, which will help you assess risk in your company's tax management system and business transactions. [APPENDIX 5](#) features two forms to test financial health and risks, in terms of a company's key financial control points and its indicators.

3.3 STOP-LOSS STRATEGIES

The following are key ways in which companies can reduce the risk of losses.

- **AGREE DEBT EXTENSION AND RECONCILIATION**

In cases where it's not possible to pay matured debts, both parties can negotiate to delay or reduce the payment amounts in order to avoid legal proceedings, which may incur huge litigation time and costs.

- **STRATEGICALLY EMPLOY MERGERS, ACQUISITIONS AND SEPARATION AGREEMENTS**

Companies can survive and operate by changing their core business, and pursuing business separation agreements, mergers or acquisitions.

- **UNDERGO A COURT-LED FINANCIAL REORIENTATION**

If a company cannot pay its debts, it can apply to the court for reorganization to: seek permission to complete its business orders within a limited time period; seek for division or a merger with other companies; seek for disbandment and resettlement of company staff; or seek a partial payment of its debts.

- **UNDERGO ACTIVE OR BANKRUPTCY LIQUIDATION**


If companies cannot continue operation after the efforts above, they should liquidate or apply for bankruptcy quickly to reduce capital and reputational losses, as well as legal compliance costs.

ACTIVITIES

In-class activity

 **Time:**
20 minutes


This is an activity to help build financial and tax risk awareness and encourage early problem solving.

 Please spend five to ten minutes completing the simulation questionnaires found in appendices 3 to 5.

[APPENDIX 3](#) tests whether you are familiar with basic company financial conditions. Count one point for each horizontal item line that you would be able to fill out. If you score lower than five points, you don't sufficiently understand the financial conditions of your company.

[APPENDIX 4](#) tests your tax risk awareness. For [TAX RISKS CHECKLIST \(I\)](#), the more affirmative answers you give, the lower risk your company face. Count one point for each 'yes' and review what this means for your risk level. For [TAX RISKS CHECKLIST \(II\)](#), the more negative answers you give, the lower risk your company face. Count one point for each 'no' (and review what this means for your risk level).

[APPENDIX 5](#) tests your financial risk awareness. For [TEST \(I\)](#), the more affirmative answers you give, the lower the risk your company face. Count one point for each 'yes' and review what this means for your risk level. For [TEST \(II\)](#), the closer to the reference values that you score, the lower risk your company face.

 Where applicable, trainers can provide input and guidance.

After-class reflection

Review: What are the key actions that should be taken by companies to control and prevent financial and tax risk? Which key departments should be involved? What steps do you plan to take now to exercise financial and tax risk control in your company?

4

APPLYING BUSINESS CONTINUITY

MODULE 4 MOVING MARKETING ONLINE

This section explores how companies have used marketing to pull themselves out of COVID-19-related crisis, particularly via a transition to online marketing. It reviews the impact this transition has had on aspects such as customer segmentation, customer profiling, data modelling, and differentiated competition strategies, among others.

Tools in this module include a figure introducing [THE FIVE CUSTOMER PROFILE LABELS](#), a figure introducing [THE RMF DATA MODEL](#), and a [TABLE FOR MANAGING CUSTOMER CLASSIFICATION](#).

PRE-CLASS QUESTIONS

1. What are the channels used by companies to acquire customers? What is the most important one among them?
2. Did your company develop a new Internet marketing mode after the pandemic broke out? How should a business embed online strategies into its product marketing?
3. What is the largest current challenge for companies in developing internet sales, in your opinion? How do you plan to address this?



DISCUSS OR REFLECT:

Did your company transform its marketing approach during the pandemic? What can we learn from WeSing's marketing methods? How do you intend to acquire more customer traffic via the Internet in the post-outbreak period?

Case 4.1 WeSing unites people to support Wuhan

Addressing the pandemic and its brand positioning, singing software company, WeSing, launched various musical initiatives to bring hope and positive energy to people in Wuhan during its lockdown phase, reaching millions of people. One example saw the WeSing flagship store on Tmall, one of the largest comprehensive shopping websites in China, launch the online campaign and activity, 'Warm Spring, Fight the Pandemic', to try and encourage people to meet and sing online rather than meet outside. This has greatly improved the public view of the brand's social responsibility and boosted its popularity.

4.1 POST-CRISIS MARKETING

Pay more attention to social responsibility and improve brand awareness

It is more important for companies to focus on their social responsibilities after a crisis, to share some of its benefits, and pay attention to social demands and customer safety. This will ensure more social recognition and improve brand awareness.

Actively transform marketing by moving online

It was difficult for traditional commercial modes to continue after the pandemic broke out, and offline sales even stopped for a time. It was an inevitable trend to develop marketing via the Internet, and live commerce, private customer traffic operation and emerging retail became inevitable pathways for companies.

Case 4.2 ERKE changes its fortunes with a sizable donation

ERKE was not initially a popular fashion brand, with some young people regarding its products as embarrassing to wear. When the brand donated 50 million yuan to the Henan flood response, it had a market value of only 300 million yuan. To show their support for the move, consumers rushed to purchase ERKE products, online and offline. The next day, it had generated a total sales revenue of more than 100 million yuan on its live TikTok's platform. One customer bought more than 200 pairs of shoes, now many physical stores went out of stock! ERKE is not one of the most popular Chinese fashion brands in China.

Case 4.3 BESTORE finds its recovery online

Around 48% of BESTORE's offline sales took place in Hubei in the first half of 2019, a province severely hit by the pandemic. The impact of the pandemic was therefore considerable on this leading snack brand in China. BESTORE's senior managers made an emergent decision to focus on take-out in the online mode of the enterprise. Take-out has the advantage of shorter distribution and delivery times because it can use warehouses located near customers. In addition, BESTORE explored an 'online + offline' retail mode, providing 'click and self-collect' services in offline stores to solve the problem of slow distribution.

4.2 KEY MARKETING TRANSFORMATION STRATEGIES

Use big data to drive customer segmentation

Firstly, based on your business demands, clarify the objectives of your customer segmentation. Secondly, select suitable indexes and variables for cleaning and summarization. Thirdly, construct a data model and divide segmentation into pre-event and after-event. Fourthly, describe the characteristics of the segmentation results and summarize these to form a differential marketing scheme.

The 'five labels' of customer segmentation

Digital technologies are energizing for product marketing because they allow the capture of basic customer information and use of big data to form basic customer profiles; this helps companies realize customer segmentation. Customer profiles or portraits include basic labels, channel labels, emotional labels, demand labels and ability labels.

FIGURE 8
The five customer profile labels

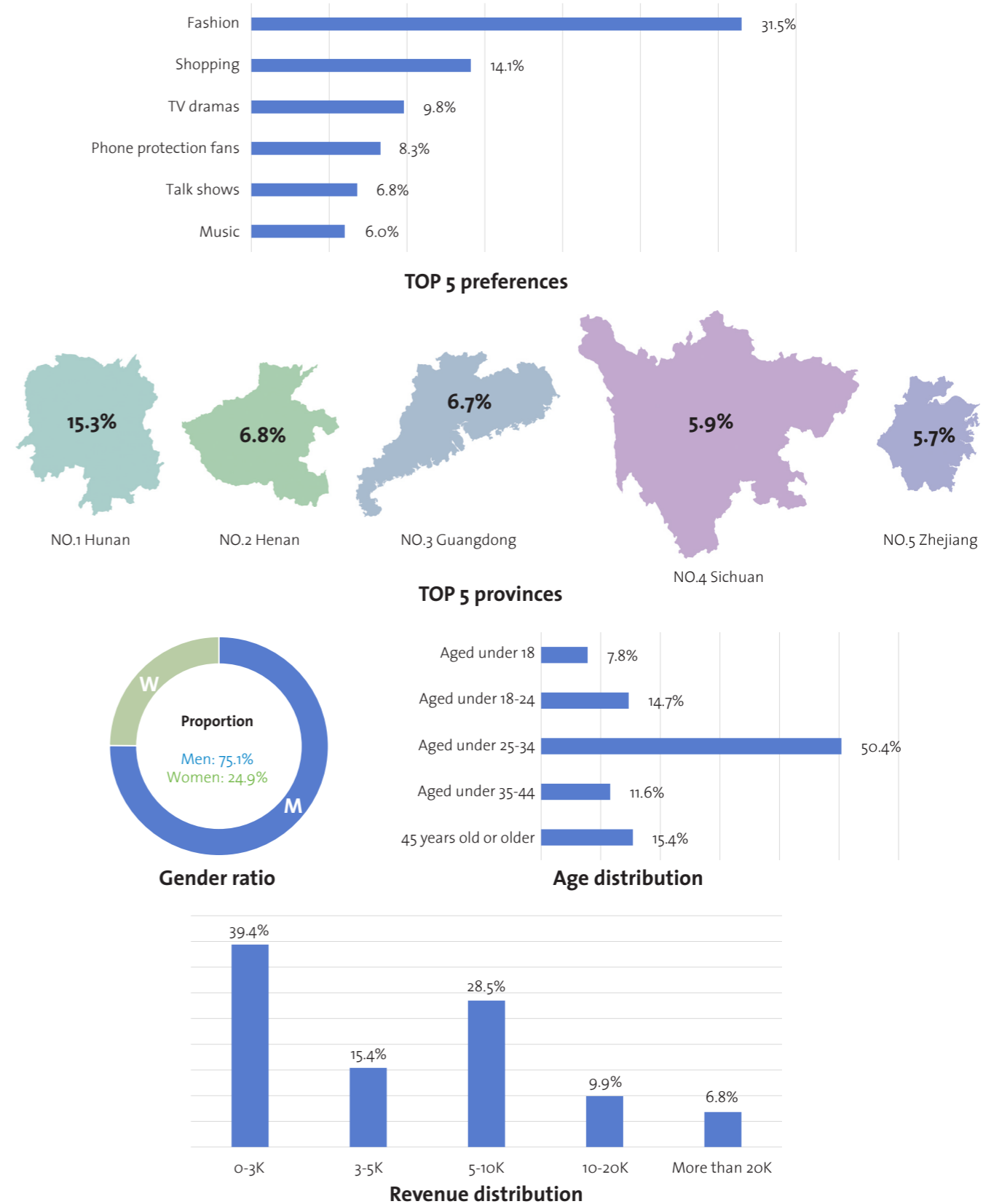


Case 4.4
Xiaomi's successful expansion from mobile phones to small household appliances

Xiaomi is a brand with a long-held reputation for cost-effectiveness in the mobile phone market. It initially targeted 18 to 24-year-old urban young college students and young professionals, and its well-known high cost performance attracted young customers. In recent years, this group of loyal customers has gradually got married and settled down, with a growing demand for home appliances. Xiaomi continued to lock in its customer base, promoted company development

and customer growth at the same frequency, obtained customers with high-frequency and low-frequency mobile phones, and then made profits through low-frequency consumer household appliances. It explored a marketing strategy of deep customer segmentation by combining high and low frequencies, and managed to break the 'golden rule' that claims brand positioning is difficult to change in consumer minds. The results was an exemplary case of cross-border transformation.

FIGURE 9
Xiaomi customer portraits



Source: MobDate Research Institute

The RFM data model

RFM analysis is an important tool and approach for measuring customer values and customer profitability. It is composed of Recency (the lastest purchase), Frequency (purchase frequency), and Monetary (purchase amount).

- **R (Recency):** A smaller R value represents greater possibilities for repeated purchasing and higher customer value. In this Internet age, purchasing can take place without regional limitations, with diversified channels, leading to higher competition and customer loss. It is necessary for companies to keep alert to the R value to ensure customers' higher repeated purchase rate.

- **F (Frequency):** This often refers to the number of purchases of a customer within a year. However, it is very difficult for some long-lasting products to achieve repeated purchases in this time frame. In this case, the number of cumulative purchase times can be used, instead of a time range.

- **M (Monetary):** The value of M in the RFM model is a value that is the most difficult to assess, but is of the most importance. Both M and F need a specified time range, which is generally one year. However, considering that lots of products have longer cycles for upgrades and updates, with relatively stable prices and not very high purchase frequencies, it is difficult for many stores to conduct customer segmentation using the M value.

4.3 CLASSIFYING CUSTOMERS

The RFM model can be used to classify customers and formulate corresponding marketing strategies.

TABLE 17
The classified management of customers

Index	Value segmentation	Customer class	Marketing strategy
R value	No purchase within 3 months	Active customers	Frequent push of product information
	No purchase within 3-6 months	Silent customers	Reduce push frequency and improve discount degree
	No purchase within 6-12 months	Sleeping customers	Push information at promotion activity date at regular basis
	No purchase within 12 months	Customer losses	Large annual activities (such as store anniversaries and national sales days (i.e. Black Friday/November 11))
F value	Purchased once	Customers of first purchase	Push cents-off promotion information
	Purchased twice	Cultivation of customers	Deliver information about brand value
	Purchased three times	Mature customers	Deliver information about new products/activities
	Purchased more than three times	Loyal customers	Deliver information about members' rights and interests
M value	Less than half the AVT (average transaction value)	Low-contribution customers	Promotion products/discount activities
	Half to average transaction value	Medium and low contribution customers	Promotion products/discount activities
	Average to double the AVT	Medium and high contribution customers	Image products/brand activities
	Double the AVT	High contribution customers	Image products/brand activities

Case 4.5 MINISO's marketing approach for high-frequency purchasing

MINISO sells a wide variety of small goods; their core consumers are young women living in first-tier and second-tier cities. By keeping prices low, MINISO has been able to improve purchase frequency. The brand lays emphasis on three aspects to ensure repeated purchases: it keeps an inventory of about 3,000 items, with abundant product categories to improve the purchase rate of customers; it also maintains

high-frequency upgrading, to motivate customers' desire to purchase; thirdly, it focuses on bestselling products and places them in conspicuous positions. By attracting customers to products of different types, MINISO changes the consumption pattern of customers from low frequency to high frequency, and has significantly improved its business income.

4.4 COMPETITIVE DIFFERENTIATION

A competitive differentiation strategy is a way for companies to occupy competitive Red Ocean markets and realize a high-profit return². The strategy includes three steps: competitive product analysis, determining the strategy for differentiation, and differentiated design.

FIGURE 10
Strategy for competitive differentiation



² Red Ocean is specific term in economics referring to a very competitive marketing environment, which means the market is 'bloody' and aggressive. The opposite are Blue Ocean markets, meaning that few people are involved in the field and companies have great development opportunities.

Case 4.6

Mia's founder takes on two e-commerce giants

Mia is an e-commerce platform for infants and mothers, founded by a Peking University graduate. The founder knew that leading e-commerce platforms use a horizontal expansion strategy³, and that it would be difficult to use the same strategy to become a competitive 'third platform'; for this reason, she chose vertical e-commerce and vertical expansion⁴. In order to differentiate from these giants, the founder has to ensure at least 60% of their products are non-standard products. While competitors provide open shelves that users search

with purpose, Mia in contrast, is a discovery-oriented consumer scenery that guides users to explore their needs. At the same time, the founder of Mia also takes the initiative of doing the marketing herself. This includes drafting user experience reviews for customers, such as for feeding bottles and baby diapers, and inviting users to share their purchasing experiences with the public, to deepen customer confidence and improve the sales conversion rate of the products.

³ Horizontal expansion involves finding development opportunities in mature markets.

⁴ Vertical expansion involves deeper development in a certain field, and forming a stable industrial chain structure.

4.5 REDESIGNING YOUR MARKETING APPROACH

The 'Internet+' era makes brand new marketing approaches possible. In particular, companies can set up an 'online + offline' model, seeking partners

that are located closest to target customers and able to deliver products quickly, while using data to establish stronger links with customers.

Case 4.7

The rise, retreat and self-rescue of Luckin Coffee

Luckin Coffee Co., Ltd. was registered and established in June 2017, and the company opened 7,000 stores across China in a little over two years. It took a little more than 20 months for the company to be listed on the U.S stock exchange, becoming the fastest IPO, globally.

Stage One: The digital rise of Luckin Coffee

When users order coffee with the Luckin app, an intelligent order distribution system sends the orders to the closest store. It therefore uses a

technology-driven service platform to digitally carry out site selection, operation and supply chain management. Luckin Coffee is made fully automatically, with an average wait time of one minute. Without the usual functions of ordinary stores, it takes minimal time and resources to train employees. The 'online + offline' digital mode has changed the consumption scenarios from 'consumers finding coffee' to 'coffee stores finding consumers'.

FIGURE 11

The linked 'online + offline' model of Luckin Coffee



Stage Two: Retreat – Luckin faces a crisis of credibility due to financial fraud

'Muddy Waters Research', an institution reputed for short-selling, accused Luckin Coffee of data fraud in January 2020 and threw the company into a storm of public criticism. According to the resulting investigation, Luckin Coffee had over-inflated its sales income, costs and profits in order to achieve a competitive advantages and mislead the public, and it publicized this through multiple channels with false marketing data. Luckin Coffee stores suddenly lost many consumers and its share prices fell by 85%.

Stage Three: Self-rescue using private domain marketing

This crisis of credibility coincided with the pandemic in 2020, resulting in emergency actions


being taken. Luckin Coffee adjusted its marketing strategy, by introducing new customer flow via various apps and marketing via a 'private domain + community' model. This held some advantages. It linked the data of Luckin Coffee with the data of the social media platform, WeChat, to create user labels. Meanwhile, its stores began to release discount coupons and promotions began to specifically target off-peak hours by connecting their inventory management system with WeChat. Luckin Coffee changed from attracting more first-time customers to more accurately attracting likely high frequency consumers in the community, and changed its focus from finding new customers to keeping those it has and increasing their custom. In this way the monthly consumption frequency of Luckin Coffee was increased by 30%, and the weekly repeated purchase number of people increased by 28%.


ACTIVITIES

In-class activity

 **Time:**
15 minutes

The impact of the pandemic on the tourism industry has been severe across the world, especially for those working in the international travel sector. This sector accounts for half of the revenue of one Chinese travel agency, Ctrip. Yet in April 2021, Ctrip listed on the Hong Kong stock exchange and was able to reverse its COVID-19 loss.

 Where possible, form pairs or small groups. Reflect on or discuss the ways that travel companies such as Ctrip may have changed their marketing strategies, considering aspects such as marketing channels, products and content.

 Where applicable, trainers can provide input and guidance.

After-class reflection

What have you learned in this module in relation to your own customers, products, positioning and differentiated competitive advantages – particularly in relation to marketing innovation?

5

APPLYING BUSINESS CONTINUITY

MODULE 5 MANAGING COMPLIANCE AND PREVENTING RISK

This section introduces contract performance risks and the kinds of responses required when a crisis such as the COVID-19 pandemic breaks out. It also considers the general legal risks that need to be reviewed when setting up and operating a company, particularly via management-level systems.

Tools in this module include a [NOTIFICATION AND REPLY TABLE](#), and a [CONTRACT PERFORMANCE RISK RESPONSE SCHEME](#).

PRE-CLASS QUESTIONS

1. Does your company have a legal compliance department or hire a professional legal team? Is your company experiencing problems with contract implementation after the pandemic?
2. Does your company face compliance risks – and if so, around which aspects? Where should you focus compliance management after business interruption?
3. How do you plan to cope with these risks during the post-pandemic period? Has a gender perspective been included into your compliance management?

Case 5.1 An international buyer rejects a claim of 'force majeure'

An aquatic product processing company shut down due to the pandemic, and could not make delivery to an international buyer in Europe as per the contracted timeframe. A force majeure clause was not included in the contract, and because the international buyer believed that the force majeure protected by Chinese law was not applicable internationally, it requested that the trade company compensate it.

Case 5.2 Women employees successfully file a lawsuit against their company for the discriminatory suspension of their salaries

All the employees of a Chinese advertising company worked at home for a period during the COVID-19 pandemic. Yet, directed by management, the human resources department suspended the payment of many women employees' salaries, while retaining them as staff. Their discriminatory reasoning was that women workers could not work well at home due to their domestic responsibilities and so were not competent in their roles. The employees took their case to the Labor Arbitration Committee and won. The company backpaid the salary plus compensation.



WE INVITE YOU TO REFLECT:

How should legal disputes be handled when caused by the pandemic or other sudden business interruptions? What compliance issues should be taken into consideration, from the perspective of business continuity?

5.1 COMPLIANCE RISKS IN A CRISIS

Risk identification and analysis

Contract implementation conditions are divided into: failure to implement all of the obligations; failure to implement some of the obligations; failure to implement for the moment; and cases in which changes in the external environment have made implementation unfair to one party and require review. Difficulties in contract implementation caused by governments' administrative measures is considered as falling under force majeure. However,

difficulties in work resumption and sharp rises in human resource and material costs may be classified as market risks. This can lead, in turn, to compliance risks.

Notification and reply

It is important to have a plan for how and when to notify relevant parties in the case of a crisis.

TABLE 18
Matters needing notification and reply

Serial number	Situation or stage	Content
1	If the obligations of your party are influenced by force majeure	Notify the other party about the occurrence of the force majeure and provide related evidence within a reasonable period. If the period and degree of the force majeure cannot be determined, the delayed period can be not specified in the notification and further notification should be sent after the influence on contract implementation are known.
2	If the obligations of the other party are influenced by force majeure	If products or services are overdue, firstly, understand the related reason, estimated losses, possibility of continuity and estimated time for recovery of implementation by means of telephone or a face to face meeting. Ask for related data, to clarify the initial factors.
3	Replying to the notification about force majeure from the other party	A reply should be made to the notification about force majeure from the other party in time. It is possible to propose a contradiction or objection to the other party in specific conditions. The other party is required to provide evidence of the force majeure, the definite period and influencing degree, and to adopt measures to reduce losses.
4	Notifying about the unsafe right of defense	Evidence should be gathered to clarify the operating conditions of both parties. In the case of serious deterioration in the operational conditions of the other party, your party can exercise the unsafe right of defense according to Contract Law - although with the obligation of acting first - and can send a notice of termination of the prior obligation to the other party.
5	Negotiating changes	In the case that any relief policy for companies facing difficulty in repayment is released by governmental departments, the company can apply for a repayment delay or a reduction of interest, and negotiate changes in the contract, to ease difficulties in contract implementation.
6	Keeping a track record of notifications	Evidence must be kept of any notification and reply, as well as receipts and reply receipts when using express delivery. Keep the evidence with third party electronic evidence tools (e-mail or WeChat) or notarize if necessary.

Case 5.3

A company avoids contract risks by approaching a crisis in stages

In this hypothetical case, the management layer of Company A predicts contract implementation risks due to delays in delivery due to the pandemic, and immediately formulates the following action scheme.

Stage One: Early stage plan

It communicates with customers about possible delays in advance. It checks the current inventory and estimates the consumption time; prioritizing seeking out-of-stock products from suppliers and seeking substitute suppliers, or even overseas manufacturers if necessary.

Stage Two: Official delay

It communicates with customers to negotiate changes in contracts in cases of delayed delivery. If the implementation of the contract as scheduled cannot be achieved or no agreement

can be reached around changes of contract, the company will need to provide evidence to the customer. The factual evidence for force majeure has been recognized by governments, customs and companies of more than 200 countries all over the world, with strong executive force.

Stage Three: Installment delivery

It is possible to provide customers with delivery in installments, delivering smaller batches of their order as they are produced and explaining that the difficulty in delivery is a temporary problem. In the case of a pandemic, the company can also emphasize the presence of stable pandemic prevention and control environments, good upstream and downstream industry chain matching systems and local high-quality business environments in the source country, to maintain the confidence of customers.

Response schemes and countermeasures

Companies should prepare responses to contract implementation problems and be aware of the full range of available options, as laid out below.

TABLE 19
A response scheme for contract implementation risks

Serial number	Mode	Content
1	Termination of contract	In the case of failure in contract implementation, any party can propose to terminate the contract; if there is a failure in meeting some obligations or implementation is overdue, leading to a failure to deliver as per the contract, your party can also propose to terminate the contract.
2	Exemption of contract obligations	If some of the obligations of the contract cannot be implemented, but will not lead to a failure in realizing the contract, the obligations of continued implementation and compensation for losses are exempted. If the company has given consideration to or has invested costs in the non-implemented part, they are able to require the other party to share them reasonably.
3	Advocacy for continued implementation	In the case that the contract of the other party can be realized, although with delays, it is possible to advocate for continued implementation. At the same time, it is possible to delay the terms of the force majeure of the original contract; i.e., the liabilities for breaching the contract during the force majeure period are exempted.
4	Negotiation about changes of contract	If the contract cannot be implemented temporarily, or it is unfair to continue implementing it but more adverse to terminate it, it is possible to change the content of the contract in order to recover to a state of balanced profits for both parties.

Serial number	Mode	Content
5	Unilateral contract changes	If a company has prior obligations in the contract but the other party cannot implement the obligations due to business difficulties caused by the pandemic, it is possible to suspend the prior obligations according to the unsafe right of defense in Contract Law.
6	Suspension in implementation of the prior obligations	Evidence must be kept of any notification and reply, as well as receipts and reply receipts when using express delivery. Keep the evidence with third party electronic evidence tools (e-mail or WeChat) or notarize if necessary.
7	Loss sharing	In the case that there is a dispute because the implementation of the original contract leads to major impacts due to a force majeure such as a pandemic, the equity principle can be adopted, and loss sharing is advocated.
8	Agreeing other solutions by negotiation	Legal action is advisable only as a last resort. By taking implementation ability, integrity and feasibility into consideration, the company can aim to benefit both parties by negotiation, via written agreement.

5.2 ENSURING POST-CRISIS COMPLIANCE

Preventing legal risks when establishing a company

When setting up a company, legal risks include not conducting strict investigations into partners, and loopholes or flaws in agreements and articles about the company set up.

FIGURE 12
Avoiding risks around due diligence on business partners



FIGURE 13
Avoiding legal risks in the establishing agreement



Situation: Legal risks in the establishment agreement

Forms: Improper agreements in written clauses, deficiency in confidentiality clauses and deficiency in shareholder constraint mechanism may lead to benefit losses for the company.



Risk avoidance:

Firstly, draft the agreement with the help of legal institutions or personnel; Secondly, sign the confidentiality agreement, to avoid shareholders 'setting up a separate kitchen' by utilizing the identity, to form competitive relations with the company. Thirdly, establish a shareholder constraint mechanism, and clarify the limitations on prohibition of business strife of shareholders.

FIGURE 14
Avoiding legal risks in articles of association



Situation: Legal risks in articles of association

Forms: Firstly, the articles of association may have weak operability, with no detailed stipulations in important matters. Secondly, the contents in the articles are not in accordance with the spirit of Corporation Law, in lack of constraints on management power (directors and supervisors).



Risk avoidance:

Firstly, clarify the discussion methods and the voting procedures of the shareholders' meeting. Secondly, clarify the stock right transfer methods and whether the shareholders of a limited liability company can transfer stock rights to people not included in shareholders, to avoid disputes among shareholders. Thirdly, clarify shareholder decision items, and confirm the detailed conditions for releasing corporation bonds and removing directorship in office.

Preventing legal risks during day-to-day operation

LEGAL RISKS WHEN IMPLEMENTING PARTNERSHIP CONTRACTS

When drafting contracts, legal risks include not conducting due diligence into partners, issues of commercial bribery and imprecise contract terminology.

TABLE 20
List of legal risks during cooperative contract implementation

Serial number	Mode	Content
1	✘	Improper use of official seal and delegation of authority
2	✘	Fail to conduct an in-depth investigation into suitability of the partner
3	✘	Defects in the title or quality of the subject matter
4	✘	Default risks such as breach of contracts or violation of relevant regulations
5	✘	Vague semantics and different meanings in contract terms
6	✘	Transporting the product becomes prohibited
7	✘	Signing contracts with fraudulent or coercive means, risking damage to national interests
8	✘	Damaging national or collective interests or interests of third party with malicious collusion
9	✘	Hiding illegal activity with legal forms
10	✘	Violating laws and regulations

Case 5.4
A compliance loophole threatens the prospects of Zhuzhou Factory







After a technological breakthrough, Zhuzhou Factory started manufacturing a particular chemical compound and issued stipulations about confidentiality. One employee, Liu Dahua, worked for the factory, and participated in research and production of the chemical. A rival factory, Luoding Factory successfully offered Liu

Dahua 40 thousand yuan to provide drawings of the production equipment and related technologies, severely damaging the prospects of Zhuzhou Factory. It transpired that there were defects in management process and training to employee about confidentiality, leading to compliance loopholes (all names are fictitious).

AVOIDING LEGAL RISKS WHEN PROBLEMS ARISE

Once operating, having a planned response to various problems can help to avoid legal risks, such as sufficiently clarifying divisions of labor, rights and responsibilities in particular situations.

TABLE 21
Strategies to avoid legal risks during operation


Serial number	Action
1	 Judge the degree of the problem or emergency and implement the response plan
2	 Clarify the topic for discussion and hold a specific discussion for each event
3	 Clarify the division of labor, and rights and responsibilities
4	 Propose key assumptions and design a response scheme
5	 Confirm consensus and begin to implement
6	 Track progress, offer rewards and penalties

ACTIVITIES

In-class activity


 **Time:**
20 minutes


Company A is a manufacturer of cosmetics situated in Wuhan. Company B is also based in Wuhan. The contract between Company A and Company B will soon expire, but production is only 60% finished.

 Form groups of four to five people if possible. In each group allocate the role of the supplier, the decision-maker, the marketing department, and the person in charge of compliance in upstream Company A; plus the role of the person in charge of Company B.

As a group, consider the Wuhan lockdown, which involved a shut-down by suppliers, insufficient raw materials, difficulty in work resumption and logistics obstacles. How should Company A complete production or reduce losses caused by

breach of contract in this situation? How should it adjust production and supply to control compliance risk? Which of you, in your different roles, should do which tasks?

 Where applicable, trainers can provide input and guidance.

 Solo users can reflect on the questions above and the responsibilities of various positions.

After-class reflection

Reflect further on who you think should be involved in compliance risk control in your company and what kind of roles they should play? What steps do you intend to take to improve your compliance risk management after studying this section?

6

APPLYING BUSINESS CONTINUITY

MODULE 6 HUMAN RESOURCES AND EMPLOYEE MANAGEMENT

This section explores approaches to human resource management during a crisis, mainly by presenting the case of Chinese restaurant chain, Hai Di Lao. Then, reviewing aspects such as salary management, flexible employment, labor contracts, and rules and regulations, it provides guidance for the post-crisis period to help companies improve personnel management efficiency and avoid labor and employment risks.

Tools in this module include a [COMPANY HUMAN RESOURCES INVENTORY CHART](#), and a [REDUNDANCY PLAN](#).

PRE-CLASS QUESTIONS

1. At the beginning of the COVID-19 pandemic, how could companies have ensured the safety and health of their employees?
2. What kind of personnel placement challenges might companies have faced during shut-down periods, and what kind of personnel shortages did many face after work resumed? How do you plan to cope with these risks during the post-pandemic period? Has a gender perspective been included into your compliance management?
3. What labor risks may be faced when business is interrupted? Would you ever want to engage with a 'shared employee' program?
4. How do you plan to develop your human resource management and avoid potential risks during the post-outbreak period?



DISCUSS OR REFLECT:

What are the three key steps of human resource management, in order of priority?

Case 6.1 COVID-19 causes human resourcing challenges in a maternity care center

A confinement center for pre- and postnatal care received a large number of cancellations at the start of the pandemic. Many maternity matrons, nurses, and other service staff are usually scheduled to work during the annual Spring Festival and so had not travelled home for the holiday. As a result, a large number of workers were left in the center without work, after the cancellations. The center was faced with significant challenges in relation to aspects such as pandemic prevention and control, personnel arrangements and salary payments.

6.1 HUMAN RESOURCE MANAGEMENT IN A CRISIS

Maintain mechanisms for smooth and efficient communication

The premise of human resource management is to maintain continuous and frank communication between managers and employees. Top-level management should guide front-line managers, so that they can themselves help employees to cope with the crisis, and formulate emergency plans. It is recommended that there should be a channel by which women in particular can express opinions and concerns.

Case 6.2 Hai Di Lao's structural approach to pandemic prevention

Hai Di Lao immediately established a headquarters for the prevention and control of the pandemic after the initial outbreak, and using an organization chart, employee arrangements, a report mechanism, material supply and capital dispatching, it was able to guarantee the efficient delivery of pandemic prevention measures to 100,000 employees.

Improve mechanisms to ensure employee safety

The health and safety of employees must take priority. Observe the guiding principle of protecting each employee in order to stabilize popular feeling during critical periods.

Case 6.3 Hai Di Lao's guidelines for pandemic prevention

Hai Di Lao quickly formulated health guidelines, hired health experts to train and guide employees' on health behaviors, and provided professional psychological counseling to relieve employees' anxiety.

You can follow its example by ensuring social distancing among employees and closing any relevant sites if necessary. Utilize the latest scientific and technological approaches, to improve the intelligent handling of official business and ensure smooth remote working.

Provide logistical support

Guarantees and dispatching for personnel are at the core of human resource management during crises, to ensure normal operation.

Case 6.4 Hai Di Lao's personnel protection plan for pandemic prevention

To follow Hai Di Lao's approach, the following steps may be taken. Group the management of employees in various stores to protect against cross contamination between work and residence sites, and hinder the spread of the virus. Distinguish the risk degree of the various posts according to degree of exposure, to track the health of employees closely. Arrange back-up teams, who will replace any infected employees. Adjust the number of recruited persons swiftly, delay the recruitment start dates and stop recruitment for some redundant posts to avoid creating redundancies. Track the detailed rules and regulations of the Labor Law, and provide online training for staff to utilize idle time.

6.2 HUMAN RESOURCE MANAGEMENT AFTER AN OUTBREAK

There will be considerable employee management challenges following a public health emergency, and there will be conflicts between the maximization of profits and the rights and benefits of employees. This may lead to especially fragile and sensitive labor relations, or even legal risks.

Administrating salaries for employees on active duty

SALARY STRUCTURE

A legal, effective and clearly defined salary structure plays a key roles in personnel costs.

Case 6.5 Differences in salary structure between two companies

TABLE 22
Salary structure

Serial number	Salary method	Payment principles	
1	Fixed salary	Employees with full hours will be paid 6000 yuan, and a bonus will be paid at year end.	
2	Structural salary	Basic salary	2000 yuan
		Post salary	2000 yuan
		Performance payment	1000 yuan
		Attendance bonus	500 yuan
		Commuting subsidy	300 yuan
		Meal allowances	200 yuan
	Year-end bonus	The average monthly salary of 1-6 months is the base for the year-end bonus, the amount of which is connected with the annual performance appraisal.	

Both Company A and Company B provide a monthly salary of 6,000 yuan, plus annual performance bonuses. Company A needs to pay the full fixed salary according to its policy, even if work cannot be resumed, while Company B can only pay the basic salary depending on attendance. The fixed salary

of Company A, without any incentive mechanisms, may negatively impact the recruitment of talents. Company B, meanwhile, establishes a defined figure for year-end bonuses, and can carry out more active management in relation to actual employee performance (see Table 20).

COMPREHENSIVE LEAVE-IN-LIEU AND WORK SHIFTS

Encourage employees to conduct comprehensive income adjustments, to use their leave days to control the number of employee on duty, and encourage shift work as opposed to full-time work. In principle, the conditions of the work shifts

should be negotiated with employees – or with the labor union or representatives of employees – before taking effect for all employees. For periods of non-attendance due to pandemic or emergency-related restrictions, employees should be granted basic living expenses as per local minimum-salary standards.

Case 6.6

A company refuses to pay for an employee's living expenses during mandated leave

Mr. Gong was a chef in a catering company, and both parties agreed a labor contract with no fixed term. The companies instructed employees to move from full-time work to shift work and take mandatory leave due to the impact of the pandemic; they paid Mr. Gong only for his attendance days. Mr. Gong required the company to pay him for non-attendance

days as per the national minimum salary standard; however, the company refused to do so, giving the excuse of force majeure. The case went into arbitration, resulting in the company backpaying Mr. Gong's basic living expenses during that period, of 2,310 yuan.

FIGURE 15
Avoiding legal risks in articles of association

Evaluation and analysis:

Sudden public health events are force majeure by law; however, considering that labor relations are considered a subordinate and non-equivalent relation, force majeure has not been introduced into China's Labor Law. According to the law's provisions on the Settlement of Surplus Employees of State-owned Companies, companies can make employees take a holiday for a defined period with the approval of the congress of workers and employees, which will be put on record by comprehensive departments. In this case the companies should pay for living expenses during this period.



6.3 SALARY REDUCTIONS OR DELAYS

If companies struggle to operate and need to enter into a period of dormancy, related companies need to place this on record at the labor department, and must pay salaries as per the local minimum salary standard. Companies can also negotiate with employees to delay the payment of some salaries for 3 to 6 months. It is necessary to clarify the payment time during such negotiations. Employees who leave the company must be compensated with their full salary. In addition, it is possible to implement salary reductions for all employees after acquiring employee consent. In this case it is necessary to keep the records of employee consent and signatures, to avoid labor disputes.

Managing flexible employment

Emergency conditions can disrupt company employment plans, leading to the mismatching of human resources. Some companies stop work and production completely and make employees redundant, while some companies have too few employees, leading to difficulties in resuming business.

There are various models of employment, such as platform employment, outsourcing employment, part-time employment and shared employment. Companies are advised to arrange legal advice, to understand important affairs such as salary payments, social insurance payments and occupational injury responsibilities, to create written agreements and prevent related risks.

Case 6.7
The experience of a ‘shared employee’

Mr. Zhou signed a three-year labor contract with a restaurant company, with a monthly salary of 4,000 yuan. The restaurant did not resume work when other companies did, and Mr. Zhou was instead loaned to a large-scale supermarket to work as a warehouse stock manager. During this period the supermarket arranged work for Mr. Zhou and paid him a salary. On 20 April 2020, Mr. Zhou applied to the arbitration commission. He firstly, required the

supermarket to confirm his labor relations with it between 10 February and 20 April 2020; he secondly required the supermarket to pay for the difference between his accrued wages and the wages actually paid from 10 March 2020 to 20 Apr 2020, totaling 5,287 yuan. The arbitration commission gave an explanation of the reason for the company’s actions, and Mr. Zhou withdrew the application for arbitration.

FIGURE 16
Shared employees: Legal evaluation and analysis



Evaluation and analysis:

According to stipulations in China’s Labor Law, workers are not allowed to establish new labor relations with the borrowing unit during the borrowing period, and responsibility for the salary, welfare, insurance and occupational injury applications still lie with the original unit.

Legally terminating labor contracts

The following are common ways to legally approach the termination of labor contracts.

Checking the signing conditions

Check the conditions relating to existing departments, posts and personnel, as well as working years for the enterprise, work ability, work attitude and any contract signing conditions, to determine if the posts can be combined or optimized.

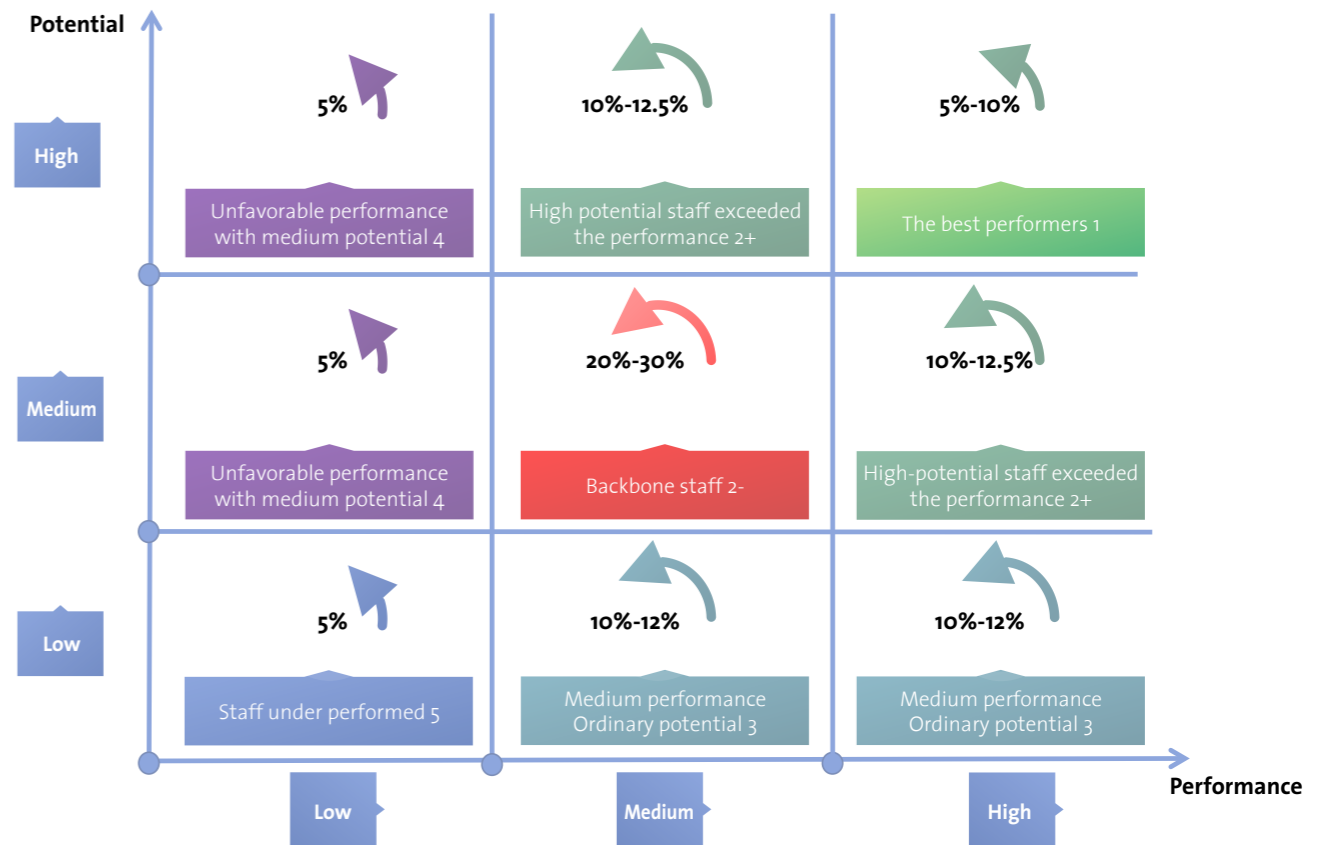
TERMINATING THE LABOR CONTRACTS OF EMPLOYEES WHO VIOLATE REGULATIONS

Companies need to establish rules and systems with relevant legal procedures to effectively manage employees. This allows them to terminate labor contracts of employees who significantly breach rules, to avoid reasonable legal risks.

NEGOTIATING THE TERMINATION OF LABOR CONTRACTS

If the work ability and attitude of an employee cannot meet the demands of their role, or the labor contract cannot be implemented due to significant changes in objective conditions, enterprises can negotiate with employees about forms of compensation and then terminate the labor contract, to increase efficiency or reduce the number of employees.

FIGURE 17
Shared employees: Legal evaluation and analysis



REDUCING EMPLOYEE NUMBERS DUE TO ECONOMIC REASONS

Governments have tended to encourage companies to stabilize labor relations and work posts in the post-pandemic period, and companies

should approach employee cuts carefully if they are due to economic reasons. If it is really necessary to reduce a work force, companies should seek legal advice. The conditions in Table 22, below, should be satisfied.

TABLE 23
Reducing employees for economic reasons

Serial number	Measure	Content
1	Adopt measures to stabilize posts	Firstly, meet the requirements of national Labor Contract Law for employee reduction. In the case of employee reduction due to emergent circumstances, it is also necessary to show that conditions are met relating to the failure of contract implementation, due to major changes (such as a serious decline in performance, switching to other products, adjustments to operating methods and significant changes in objective economic circumstances).
2	Implement necessary procedures	Explain these conditions to the labor union or all employees 30 days in advance, listen to opinions from the employees, and then report the employee reduction scheme to the labor administration department.
3	Legitimize employee reduction schemes	Pay special attention to problems that concern employees, human resources and social departments, such as time frames, reasonability of personnel selection, treatment of employees to be kept on, and those to be prioritized, arrangements for employees with special circumstances, and legal guarantee of compensation schemes. Encourage employees to agree with the strategic termination of contracts via negotiation processes, as well as the selection and treatment of employees remaining in office.

Case 6.8

Facing lawsuits based on improperly negotiated employee reductions

Mr. Deng signed a five-year labor contract with a sales company. Because of the pandemic the company decided to negotiate with employees and change the level of their salaries. However, no agreement could be reached between the company and Mr. Deng and eventually the company terminated labor relations with him. Mr. Deng agreed that there were difficulties in operating the company, but he


did not agree with the justification for terminating his contract. Mr. Deng applied for arbitration, which resulted in the company paying 77,000 yuan compensation for terminating a labor contract illegally. During arbitration, Mr. Deng agreed to change his claim from 'compensation for terminating a labor contract illegally' to 'economic compensation for terminating a labor contract'

Establishing and improving regulations and systems

Many companies faced huge challenges in personnel management during the pandemic because they did not have adequate regulations and systems for human resource management, or democratic publication procedures. During the post-pandemic period, companies should formulate practical, legal and effective regulations and systems, especially those that greatly benefit employees, such as attendance management, salary management, performance management, and reward and penalty systems.

ACTIVITIES

In-class activity


 **Time:**
15 - 20 minutes


Company A is a machine tool building company in Wuhan, China. Around 80% of its workers had travelled to their hometowns for the Spring Festival when the first pandemic outbreak occurred. Governmental restrictions meant that workers could not travel between cities in the short term. Yet the company's orders needed to be delivered within a month. When Company A found out that many local workers from Company B had no work to do, it realized that a shared employee scheme could be adopted to allay these pressures.


In this situation, there are two different options for managing salaries and remuneration.


Option A: The company is responsible for both the basic salary of employees who could not return to work from their hometowns, and the salaries of all 'shared employees', leading to an excessive financial burden. In this case it is advisable that it consider employee reduction due to economic reasons.


Option B: The company only takes its 'direct personnel costs' into consideration. In this case, it risks being faced with legal challenges and needing to pay a large amount of compensation. The company would also risk breach of contract relating to late delivery of orders. Therefore it should hire shared employees to reduce the pressure of personnel shortages.

 Where possible, split your learning group into two and elect two representatives for each group. One group adopts Option A and the second group adopts Option B.


 Each group should take five minutes to discuss and prepare an argument for their allocated approach, focusing on the benefits for the company and the risks of theirs and their opponent's approach.


 The group representatives should then debate for 10 mins.

 Where applicable, trainers can provide input and guidance, and adjudicate – choosing the strongest argument.

 Solo toolkit users may wish to list the positive and negative points for each option.

After-class reflection

 A company instructs all of its employees to work at home during the initial COVID-19 outbreak and pays 80% of their salaries after acquiring consent from the labor union. Miss Wang refuses to work at home and receive 80% of her salary, and requests instead that she work in the office and receive a full salary. How would you approach this problem if you were the person in charge of the human resources department?

 A company asks all of its employees to return to the office after the first COVID-19 outbreak subsides. Ms. Li refuses to work in the office because she is worried about being infected. The human resources department holds an unsuccessful meeting with Ms. Li, who later refuses to return to the office, using annual leave, leave in lieu, leave for personal affairs and sick leave, consecutively. What would do if you were the person in charge of the company?

7

BUSINESS CONTINUITY IN PRACTICE: CASES

This section explores the practical elements of business continuity entirely through cases. The first module focuses on the ways that a variety of SMEs have dealt with emergencies, using real cases in the catering, manufacturing, and information industries. The second module looks specifically at crises faced by housekeeping and home care companies. Both encourage group discussions or reflection at strategic points during the training.

Tools include a series of cases and a sample [TIME SERIES GRAPH SHOWCASING BUSINESS CONTINUITY MANAGEMENT](#).

MODULE 7 SME RESPONSES TO EMERGENCIES

CASE 1. A restaurant chain's COVID-19 response

Case background

A Chinese barbecue chain had established dozens of offline direct-sales stores in Beijing, Shanghai and Guangzhou, and three network sales departments in South China, East China and North China respectively, to provide customers with semi-finished products. It has two standardized food processing factories. The company could not continue its operation after the COVID-19 outbreak, with only sufficient funds to carry it for three months. Severe challenges faced the company's management.

In order to reduce operation costs, the company negotiated with all its employees to reduce their salaries. The salaries of the management layer were reduced by a half, and the salaries of first-tier employees was reduced to a lesser extent. At the same time, the company promised employees that their full salaries would be recovered if the company could recover within a month, and create turnover of the same period the previous year.

Discuss or reflect:

What are the advisable countermeasures for organizational and personnel management, and business sales channels?

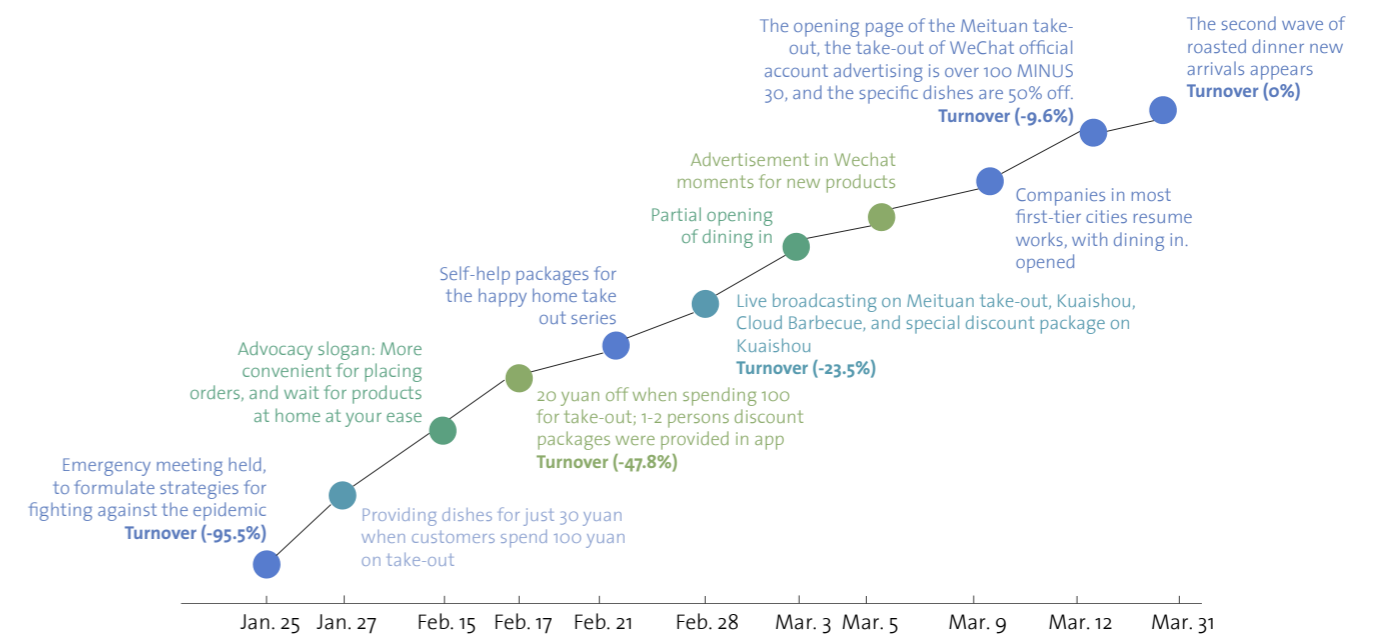
Countermeasure: Expanding business and marketing channels

Since the company had its own raw material supply, it released new attractive products with competitive advantages, including both eat-in and take-out, to help consumers take the 'barbecue aroma' home. At the same time, the company implemented a series of business continuity management measures, aiming to recover turnover within 23 days to match the same period of the last year. The company made full use of online e-commerce and social media platforms such as Meituan, Kuaishou, MicroBlog, and WeChat when coping with the pandemic, to assist with product promotion.

Countermeasure: Active personnel management

In cases where no work was available, the company organized business trainings and engaged employees in cleaning the business premises.

FIGURE 18
A time series graph showing the business continuity management of Case One



CASE 2. A shoe company reorients to bypass international export challenges

Case background

A small China-based shoe manufacturing company mainly sold its products to American markets. Orders for 900,000 pairs of shoes were cancelled during the initial period of the COVID-19 outbreak, while traffic restrictions caused by the pandemic greatly increased logistics costs, leading to a sharp rise in the total costs of the company.

Discuss or reflect:

What are key countermeasures for expanding into new business and utilizing digital avenues in this kind of context?

Countermeasure: New business orientations

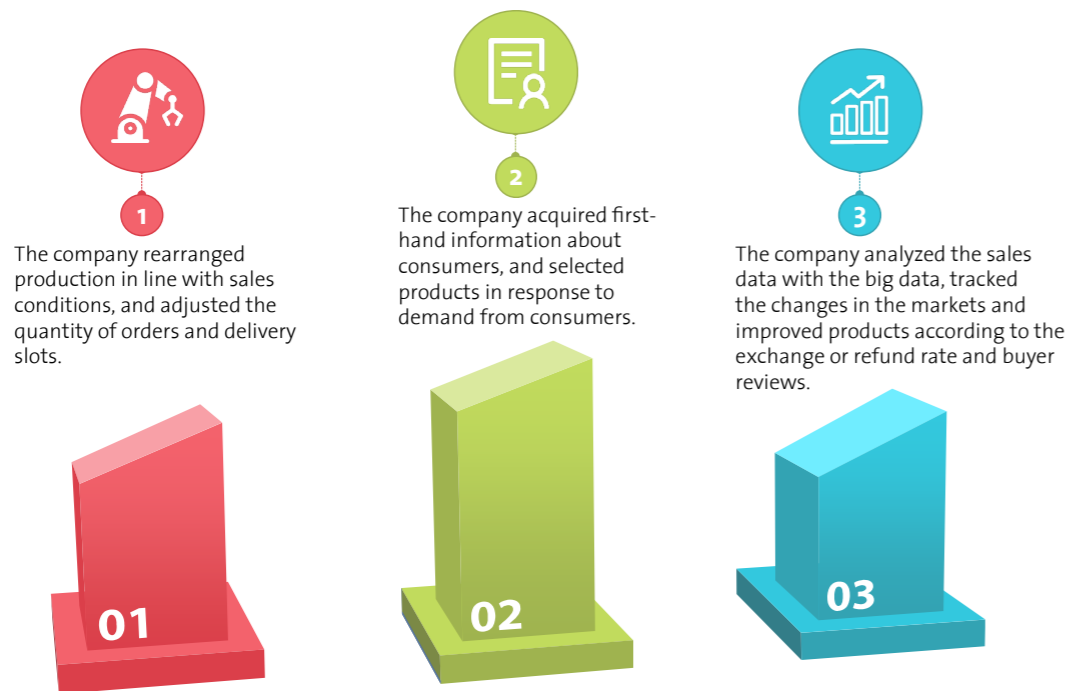
The company changed from a traditional order-oriented model to a user-driven model. Most of the orders in the past were bulk bought and were from

original equipment manufacturers (OEMs). During the post-pandemic period, the company realized that flexible reforms were needed to ensure production, adapt to orders with small amounts and multiple models, and reduce production costs.

Countermeasure: Making use of new technologies for marketing

The pandemic restricted movement and blocked offline sales channels in China. The company strengthened online communication with foreign customers via new marketing modes such as online marketing, online negotiation, video meetings and online signing, facilitated by the Ministry of Commerce. The company increased their social media exposure in overseas markets, their number of fans and their deal conversion rate by utilizing the data of customs and cross-border platforms, to improve the accuracy of their marketing, promotion and leading customer flow.

FIGURE 19
Measures to shift to new business orientations



CASE 3. Lenovo gets back on track with flexible employment and digital technologies

Case background

Lenovo's Wuhan Industrial Base in China is currently the largest and the most advanced Lenovo factory. The Base had more than 10,000 employees at the end of November 2020, with an accumulated industrial production value of more than RMB 250 billion; for six consecutive years it ranked first place in Hubei province for its export volume. When Wuhan was locked down during the COVID-19 pandemic, the Wuhan factory had only around 1,000 employees available to work; all the other employees had returned home for the Spring Festival and could not travel back due to the pandemic. The company's biggest challenges became a shortage of employees, and stagnated production resulting from protection measures.

Discuss or reflect:

Considering organizational and personnel management, and the use of advanced information tools – how could Lenovo try to ensure that its 10,000 employees resume work by March, the following month, and recover to full production capabilities by April?

Countermeasure: A flexible employment model

To support employees, the company established an 'Office for the return and work resumption of employees'. The person in charge of the company coordinated with governmental departments so that specially-assigned buses were arranged to pick up employees already in Wuhan, and deliver them to the factory. The company then explored a flexible 'shared employee' plan, to solve the problems facing employees in other cities who could not resume work. The Lenovo bases in five cities, Wuhan, Hefei, Shenzhen, Huizhou and Chengdu, opened again in early February 2020 to provide temporary work opportunities for those away from their workplaces.

Countermeasure: Information and digital tools

By utilizing the CoChat mobile app, the company rapidly developed an 'Ideas information platform for pandemic management', to collect the data of employees such as their health condition and date of return. This provided a data base for decision-making by management. At the same time the company collected the home addresses of nearly 100 employees in one district, to arrange specially-assigned buses that would transport employees to the factory.

ANALYSIS

Medium and small-sized companies can plan for emergencies in advance by strengthening and focusing on the following aspects. Firstly, companies should keep strengthening their research and development abilities and build influential brands, to form more creative and flexible production lines with higher added value. Secondly, they should explore diversified trade markets and seize opportunities to seek new markets at home and abroad, to avoid risks presented by excessive concentration in certain markets. Thirdly, companies should make full use of online and offline marketing channels and explore adapting to online marketing and cross-border e-commerce, to strengthen their companies' ability to mitigate risks. Fourthly, they should strengthen digital talent and their ability to build up companies. The utilization of digital technologies is especially important in emergencies. Companies should also cultivate and employ talented professionals who understand the online environment and can innovate, or seek long term cooperation from external technology partners.

8

BUSINESS CONTINUITY IN PRACTICE: CASES

MODULE 8
HOUSEKEEPING COMPANIES IN CRISIS

1. Negotiating COVID-19 infection risks and breach of contract

Case background

Ms. Yang signed a contract with a housekeeping company to purchase a maternity service, and Ms. Wei provided nursing services as per the contract. Later, Ms. Wei developed symptoms such as a cough and sore throat, and fell ill with COVID-19. The customer, Ms. Yang, proposed that she terminate the contract due to the severe situation presented by the pandemic; yet the housekeeping company regarded this as a breach of contract and required that Ms. Yang pay the costs of the liquidated contract. Ms. Yang was obliged to change to another maternity matron and continue the contract. Ms. Li, the second maternity matron, soon began to suffer from the same symptoms, and a medical examination showed that she had been taken ill with a pulmonary infection and COVID-19. She had not worn a mask in the home as required by her employer. Later, Ms. Yang and her husband and child fell ill with COVID-19, one after the other. The concentration of the virus in Ms. Li, the maternity matron, was found to be two to three times of that in Ms. Yang and her family. Ms. Yang requested that the housekeeping company return the service fee and provide compensation; however, the company claimed that it was too difficult to determine who had introduced the virus to the household. The parties could not reach a consensus.



Discuss or reflect:

What are the contractual responsibilities of the housekeeping company, the maternity matron and the employer, respectively?

Analysis

According to the speculation of the housekeeping company and customer, Ms. Yang, the maternity matron may have become infected while traveling to her place of work, and her higher virus load indicated that she had been infected first and transferred the infection to her household. Yet according to leading experts, a higher virus concentration indicates only that a person was more easily infected and their body was more suitable for the survival and breeding of virus – not her level of infectiousness. Although it was more possible that the maternity matron passed the virus to the employer, it was also possible that the maternity matron was weak, and the employer passed the virus to the maternity matron. The infection path would need to be better evidenced scientifically.

Countermeasures

The housekeeping company eventually returned the service fee to Ms. Yang and suspended their requirement that she pay for the salary of the maternity matron. Both the maternity matron and the company made apologies to the customer. As compensation, the housekeeping company provided her with milk powder for 18 months, worth 1,500 yuan per month.

Case background

A care company and a client entered an agreement, and the company accordingly dispatched a professional care worker to take care of a senior citizen who was not able to care for themselves. Normally, if a commute time exceeds one hour, the client must provide dining and accommodation for a carer or housekeeper. In this case it was not discussed or confirmed by any party. The housekeeper arrived to find that there was nothing to eat or drink and nowhere to sleep; she did not drink or eat from 13:00 to 18:00. After negotiations between the company and the client, the client agreed that the housekeeper could eat and sleep in the company's office temporarily, and promised to arrange conditions for food and accommodation the next day. The housekeeper left the house of the senior citizen that evening with the door unlocked. The house caught fire that night by accident, and the senior citizen was severely burned, later dying despite emergency treatment at hospital. The client then sued the company for 185,000 yuan in compensation.



Discuss or reflect:

What did the housekeeping company, the housekeeper and the employer do wrong, respectively? How should the company have avoided such risks?

Problem analysis

The three parties involved bear the relevant legal liabilities. The housekeeping company failed to clarify dining and accommodation conditions for the employee, or the commute time. The housekeeper failed to understand the commute time, and did not contact the employer when she left the property. The client failed to take the working environments of the housekeeper into consideration. In addition, although the conclusion from the police was 'unknown reasons for a fire', the client tried to pass liability to the housekeeper and the company by claiming for compensation.

Countermeasures

The company should have implemented standard process-oriented management and verified the dining and accommodation conditions provided by customers in advance. It should refuse to sign a service contract where these are insufficient, or change to a contract with a definite time stipulation (such as only covering the period between the employees starting and finishing work each day). The housekeeper should have contacted her employer as per procedure when she left the post, to ensure that there was no period in which no care was provided for the service subject. The company should have purchased professional liability insurance in advance. Once there is a claim for compensation proposed by a customer, the insurance company can help reduce the losses of the company.

Strengthening management and trainings for service employees

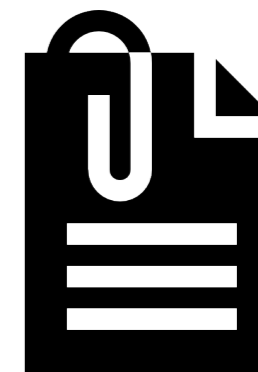
Firstly, to avoid risk housekeeping companies should perform official background checks in coordination with police departments and ensure that they know vital personnel information, such as criminal records and health certificates. Secondly, housekeeping companies should conduct targeted trainings and assessments for service personnel, covering both theoretical and practical skills, and review and update these regularly. Thirdly, companies should supervise and monitor service personnel and ensure that only qualified education institutions provide training and assessments, to a high standard.

Sharing housekeeping risks

Accidents are frequent for housekeeping services employees. For this reason, insurance companies have developed two special types of 'housekeeping insurance' product. One compensates for accidents that happen during work, and the other extends the compensation for the duration of an employment period and contract.

Ensuring that service agreements are comprehensive

Companies should invite legal teams to comprehensively review the contents of service agreements before use, to ensure that they are clear, and that disputes and risks can be handled well.



APPENDICES

1. Crisis loss checklist

For use with the in-class exercise for Module 1

Company:		Hypothetical company crisis	Loss of sales	Loss of property	Held liable for damage	Loss of talent	Loss of corporate image	Probability of occurrence	Severity	Risk rating	Response plan
Serial number											
1		Occurrence and recall of defective products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
2		Legal proceedings arising from product liability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3		A personal accident caused by mismanagement		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4		Environmental pollution and public damage		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
5		An explosion caused by a terrorist act	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
6		Food poisoning	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
7		Onsite fire accidents or damage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
8		Employee accidents		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
9		Executives violate human rights including via sexual harassment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
10		Illegal pyramid selling uncovered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
11		Anti-social behavior	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
12		Crisis caused by company layoffs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
13		Dereliction of duty by management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
14		Tax evasion charge and prison sentences for executives		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
15		Server crash		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
16		Closure of company TikTok account		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

2. Sample of an actual business continuity plan

For use with the in-class exercise for Module 1

Sample of an actual business continuity plan									
Serial number	Item(s)	Emergency					Purchasing irregularities or issues	Customer complaint	Human resource issues
		Fire and explosion	Natural disaster	Industrial accident	Loss of power accident	IT failure			
1	Business impact analysis	The probability of occurrence is small, but once it occurs, it will bring significant adverse effects to the company	Material loss	Threatening people's lives, resulting in production suspension	Affect the normal work arrangement	Affect normal work and the information security of the company	Affect the timely delivery of orders	Affect the sustainability of company orders	Affect the timely delivery of orders
2	Preventive measures plan	<ol style="list-style-type: none"> 1. Conduct safety inspection once a month 2. Put fire extinguishers and alarm devices in the workplace and carry out spot checks 3. Regular implementation of fire training and exercises 	The Human Resources Administration Department is responsible for paying attention to the weather forecast and issuing early warning notices	<ol style="list-style-type: none"> 1. Identify the risks existing in the company 2. Reduce risks through training and labor insurance supplies 3. Implement safety inspections regularly 	<ol style="list-style-type: none"> 1. Communicate with the relevant department quickly in the case of a temporary power failure and confirm the recovery time 2. For planned power outages, the product center should have advance notice and inform customers about any impacts in a timely manner 	<ol style="list-style-type: none"> 1. Regularly maintain the company's information technology equipment 2. Implement a system of daily inspections and visits by technicians; 3. Conduct regular antivirus scans and data backups 	<ol style="list-style-type: none"> 1. Review and investigate suppliers 2. Keep a proper inventory to avoid interruption of raw materials 	<ol style="list-style-type: none"> 1. Communicate with customers regularly, conduct satisfaction surveys, and correct problems found in a timely manner; 2. Continuously optimize products to meet customer requirements 3. Strengthen the training of customer service personnel to improve the quality of customer service 	Evaluate employees regularly
	Estimated completion time	Completed	Completed	Completed	Completed	Completed	Completed	Completed	Completed
3	Return to normal time	7 days	1 to 2 weeks	5 days	1 day	1 to 2 days	3 days	2 days	5 days to 1 week
4	Continuous training	<ol style="list-style-type: none"> 1. All employees shall be trained on fire control 2. The key positions are only able to take up their posts after passing the training 	Train production line employees and new employees on natural disasters	<ol style="list-style-type: none"> 1. Train personnel on industrial safety 2. Employees in special positions must be trained and certified 	None	None	Regularly educate and publicize suppliers on delivery quality and timeliness	Implement regular training for customer service personnel	Hold the following regular trainings: <ol style="list-style-type: none"> 1. Induction training for new employees 2. Management personnel training 3. Technical personnel training 4. Training of operators and inspectors 5. Training of employees in special positions
	Estimated completion time	Completed	Completed	Completed	Completed	None	Completed	Completed	Completed
5	Exercise	At least once a year	None	None	None	None	Operate according to the documents	None	None
	Estimated completion time	Ongoing	Ongoing	Ongoing	Ongoing	None	Ongoing	None	None
6	Supporting documents	Fire emergency plan, fire exercise plan	Emergency plan for natural disasters	Hazard source identification and evaluation table, work instructions for each process and distribution records of labor protection articles	Liaison	Personal inspection records, important information backup and inspection records, information security equipment maintenance records, etc.	Supplier management procedures	Results of customer satisfaction survey and customer complaint handling	Operation instructions on responsibilities and job requirements of each post, and human resources control procedures

3. Summary of basic company financial and tax conditions

For use with the in-class exercise for Module 3

If the CFO can provide less than five items of the data below, it indicates that the company does not understand the company's financial conditions very well; If the CFO can provide more than five items of the data below sheet, it indicates that the company understands the company's financial conditions;

For easy reference: 0-3 points = high risk; 4-7 points = medium risk; greater than 8 points = low risk

Item(\$)	2021													
	January	February	March	April	May	June	July	August	September	October	November	December	Total in 2023	
Income														
Cost														
Period's expenses														
Total payment for taxes														
Tax bearing rate														
Income change rate														
Cost change rate														
Expense change rate														
Gross profit rate														
Profit rate														
Total assets														
Total liability														
Asset-liability ratio														
Liquidity ratio														
Quick ratio														

4. Tax risks checklists

For use with the in-class exercise for Module 3

Tax risks checklist (I)

Three or fewer 'yes' answers in category one indicates that the company may face high financial and tax risks.

Five or more 'yes' answers in category one indicates that the company may face medium or low financial and tax risks.

For easy reference: 0-3 points = high risk; 4-7 points = medium risk; greater than 8 points = low risk

Serial number	Investigated items (Category I)	Result(s) (1 score for yes, and 0 for no)
1	Has your company conducted a capabilities test for its employees that work on tax issues?	
2	Do you understand the main applicable preferential tax policies for your company?	
3	Does your company have a tax risk control system?	
4	Is the impact of tax payment taken into consideration when signing economic contracts?	
5	Is tax payment taken into consideration when engaging with foreign investments or financing?	
6	Did your company consult finance and tax experts when expanding to new business?	
7	Are key indicators for the company stable when compared with the data from past years, without great changes?	
8	Has your company set risk warning indexes for tax management?	
9	Have you ever thought of inviting a financial and tax expert to diagnose financial and tax risks?	
	Total	

Tax risks checklist (II)

Three or fewer 'no' answers in category two indicates that the company may face high financial and tax risks.

More than 5 'no' answers in category two indicates that the company may face medium financial and tax risks, with an early warning.

For easy reference: 0-3 points = *high risk*; 4-7 points = *medium risk*; greater than 8 points = *low risk*

Serial number	Investigated items (Category II)	Result(s) (1 score for yes, and 0 for no)
1	Does your company have cases in which they have entered large amounts into the account books with insufficient receipts, or exaggerated employee salaries?	
2	Has your company held undeclared income in current accounts, long term?	
3	Does your company's inventory have a serious lack of conformity between its accounts and actual amounts in its inventory?	
4	Does your company have large number of non-operating fund transactions? Especially with units such as shareholders or related parties?	
5	Is the tax credit rating ⁵ of your company lower than Level B)	
6	Are there frequent or many inconsistencies between 'contract flow', 'receipt flow', 'logistics flow' or 'capital flow' in your company's purchases and sales?	
7	Are there considerable cash expenses?	
8	Are there frequent and large public-to-private business cash transfers?	
9	Are there cases where false invoices or purchased/sold invoices have been used?	
10	Is there a large amount or high value of cash sales (off of the balance sheet)?	
	Total	

⁵ The tax credit rating is from A to D: A=Excellent; B=Good; C=Average; D=Bad

5. Tests for financial health

For use with the in-class exercise for Module 3

Test for financial health (I): Critical financial controls

Three or fewer 'yes' answers indicates that the company may face with high financial and tax risks.

If there are more than 5 'yes' answers indicates that the company may face with medium or low financial and tax risks, with a warning.

For easy reference: 0-3 points = *high risk*; 4-7 points = *medium risk*; greater than 8 points = *low risk*

Serial number	Indexes for financial health	Result(s) (1 score for yes, and 0 for no)
1	Does your company have financial systems or documents approved by the board of directors? Has your company implemented them according to the systems?	
2	Has your company established job responsibilities and descriptions for financial employees, and has it implemented them?	
3	Is there a separation of duties: are your accountant and the cashier different people?	
4	Are the accounts in accordance with the actual data? Does your company audit the account statements on a regular basis? Does it perform an asset check?	
5	Has your company established a system for recording income, profit, expenses and capital budget?	
6	Does your company issue financial reports in a timely and accurate way?	
7	Does your company formulate fund plans on a regular basis?	
8	Does your company have backup and emergency measures for its system and financial data?	
9	Has your company established a financial risk warning system?	
10	Has your board of directors invited a financial audit?	
	Total	

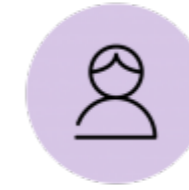
Test for financial health (II): Financial indicators

Serial number	Calculation formula	Reference value(s)	Analysis	Test results
I. Ratio of short-term debt payment ability				
1. Working capital	$\text{Liquid assets} - \text{liquid liabilities}$	-	It is reasonable and safe that the working capital of ordinary industrial companies equals the turnover of 1-3 months. Working capital should be larger than long-term obligations.	
2. Liquidity ratio	$\text{Liquidity assets} \div \text{liquid liabilities}$	1.60	The reduction of a liquidity ratio indicates a deteriorating situation for industrial companies, but not necessarily for commercial companies – it depends on the growth of realized profits. Obviously, an excessively high liquidity ratio and quick ratio indicate that the capital of the company is not being utilized sufficiently, and the company may be developing large liabilities	
II. Ratio of long-term debt payment ability				
3. Asset-liability ratio	$(\text{Gross liability} \div \text{total assets}) \times 100\%$	65.00%	Generally speaking, it is better to keep the asset-liability ratio at 40%-60%. If the asset-liability ratio is 70.00%, the financial risks of the company are in a safe zone; if the asset-liability ratio is within the ranges of 70.00%-80.00%, the financial risks of the company are at an early warning stage; if the asset-liability ratio is >80.00%, the financial risks of the company are in danger.	
4. Equity ratio	$\text{Gross liability} \div \text{stockholders' equity}$	150.00%	This is also known as the debt asset ratio, which is 100% as a reserved value, and the appropriate ratio is 200% in China. The high equity ratio is the financial structure for high risks and high remuneration; the low equity ratio is the financial structure for low risks and low remuneration.	
III. Operational capability ratio				
5. Turnover of accounts receivable (number of times)	$\text{Sales revenue} \div \text{accounts receivable}$	8.00	Generally speaking, the turnover of accounts receivable should be as high as possible, which indicates that the company has a quick account receiving speed, with a short average period for account receiving, fewer bad debt losses, fast asset flows and strong debt-paying ability.	
6. Inventory turnover ratio (number of times)	$\text{Sales revenue} \div \text{inventory}$	6.00	Generally speaking, a higher inventory turnover speed (i.e. larger inventory turnover ratio or inventory turnover times) indicates a lower inventory occupation level and stronger flow, with a higher speed of conversion from inventory to cash or account receivable.	
IV. Profitability ratio				
7. Net profit margin on sales	$(\text{Net margin} \div \text{sales revenue}) \times 100\%$	8.00%	When compared with ordinary data of the industry and the company.	
8. Return on total assets (ROA)	$(\text{Net margin} \div \text{total assets}) \times 100\%$	5.00%	Generally speaking, the index can be utilized to make comparisons with the market interest rate. If the index is larger than the market interest rate, it indicates that the company has made full use of its financial leverage, and has achieved a favorable outcome by borrowing. A higher index indicates better investment and output level and more effective use of operating assets. If the rate of return on total assets >4%, the financial risks of the company are in a safe area; if the rate of return on total assets is within the ranges of 1%-4%, the financial risks of the company are in the early warning zone; if the rate of return on total assets is <1%, the financial risks of the company are in danger.	
9. Net interest rate	$(\text{Net profit} \div \text{stockholders' equity}) \times 100\%$	6.20%	This indicates the net profit earned by each 1 yuan of stockholders' equity. Investment by stockholders is the denominator of the net profit equity ratio, and income of stockholders is the numerator. In the case of very low net profit equity ratio, companies need to seek the driving factors (net profit margin on sales and total turnover of assets), as part of problem solving.	

Note: Calculated based on various sources.

APPENDIX 6. The Women's Empowerment Principles

The Women's Empowerment Principles (WEPs) are seven principles jointly formulated by UN Women and the UN Global Compact in 2010, aiming to guide companies to promote gender equality in workplaces, markets and communities. More than 5,000 companies all over the world have signed the CEO Statement of Support for the WEPs so far and taken relevant steps, including establishing a high level mechanism to promote gender equality.



Principle 1

Establish high-level corporate leadership for gender equality



Principle 2

Treat all women and men fairly at work – respect and support human rights and nondiscrimination



Principle 3

Ensure the health, safety and well-being of all women and men workers



Principle 4

Promote education, training and professional development for women



Principle 5

Implement company development, supply chain and marketing practices that empower women



Principle 6

Promote equality through community initiatives and advocacy



Principle 7

Measure and publicly report on progress to achieve gender equality

See www.weps.org to learn more

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