



## When the real crisis isn't the obvious one...

## CASE STUDY OVERVIEW

During the response to a major natural disaster in the USA, Berwicks identified and resolved a crisis that threatened the client's other, more significant countries of operation, preventing financial ruin.

### THE CHALLENGE

At first glance a \$2Bn+ construction project was threatened when Hurricane Harvey (2017) hit operations in Texas. The project was being managed by global petrochemical producer Proman, who have a 50.1% stake in the plant. Fast organic growth, with minimal capability to evaluate and adapt to risks.

The client focus was on the protection of people in Texas, within offices and on the construction site. The infrastructure project was a distant second priority, as there was no production yet, to put revenue at risk.

We know that the obvious danger isn't always the biggest risk and understand that in this instance there are more complicated intra-company relationships with potential impacts, along with an unquantified dependency on third party companies. With this in mind, Berwicks was able to identify and mitigate the most significant threat; the business-critical cashflow to non-US companies and up to the parent business based in Switzerland.



### THE SOLUTION

The Southern United States are used to dealing with major hurricanes and storms. So, when Hurricane Harvey hit Houston, the team was prepared, plans were in place and people were being protected. The Crisis Management Team, with an embedded Berwicks component, was formed in Switzerland to support and oversee the US response.

Already working with Proman on their resilience and emergency response capability, Berwicks was well positioned to provide support through the crisis. And it was the Berwicks team that identified a significant risk to cashflow due to a third-party company's (SCC) IT system being flooded and unavailable, leaving them unable to issue invoices worth approx. \$300MM.

This in turn meant a delay of at least a month in payment for product to the Proman Trinidad business (MHTL) leading to a compliance risk to the liquidity terms of a financial bond instrument raised by MHTL, resulting in a breach of covenant.

The consequence of this risk materialising would result in a potential credit rating downgrade, increased interest rate and, at worst, foreclosure of the bond. Had that happened the parent company in Switzerland, as guarantor, would have been at risk of bankruptcy.

Immediate actions identified by Berwicks, and flexible thinking, were needed to ensure they didn't default on the terms of these bonds. The Berwicks approach of adopting a risk mindset prevented a knock-on effect – a natural disaster in one geography leading to a financial disaster for Proman globally.

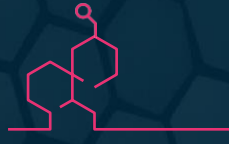


“Our team was already embedded in the business, and able to be called in as part of the CMT. Being independent we saw things the business couldn't see, as we didn't have the emotional attachment.”

*JC Murray, CEO, Berwicks and member of the Proman CMT*



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## HOW WE DID IT

The value of the Crisis Management capability is fully recognised, both as a response mechanism, and as a resilience tool, which focuses on preparedness as much as response.

Thinking around and beyond the problem at hand, methodically and critically, has been proved to avert the crisis beyond the crisis. Proman recognises that dealing with the immediate risks posed by the hurricane were done well, but that the real risks could have been missed without the application of the Crisis Management process.

- Berwicks team, embedded with the client's Crisis Management Team, uncovers significant financial risk to the business.
- New flexible financial processes developed and rapidly implemented from a water-logged Houston, using personal IT workarounds within SCC, which is not even a Proman company.
- Cashflow sustained and compliance breaches were avoided, which would have raised the cost of debt by tens of millions of dollars per annum.
- Immediate threat averted and future of the business secured.

Proman continues to invest in the development of the capability, their people and their processes, believing fully in the fact that resilience and crisis management capability provide significant tangible benefits to business as usual.

We continue to provide ongoing support as trusted advisors across special projects, leading transformation into an acquired company, training and exercising, and the professionalisation of supply chain management.

## RESULTS



**Strengthened communication links on risk between entities**



**Crisis Management process applied successfully to prevent catastrophic failure**



**Global interdependencies identified and strengthened**



“The storm appeared to be the biggest problem – and that was understandably diverting people’s attention. By being strategic and looking at the risk interdependencies and interconnectivities, we opened and explored the finance thread, and identified this as the largest threat to the business, which the Incident Management Teams then mitigated.”

*JC Murray, CEO, Berwicks and member of the Proman CMT*