



Resilient: Confronting the COVID-19 crisis

Actionable insights to help businesses respond and recover

Episode 1: Resilient business response and recovery

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Mike Kearney: Welcome to Resilient. Today's date is March 16th by the time you listen to this, things may change. We are shifting our focus to what's urgent and now, and of course that is the evolving impact of COVID-19. This special series is all about providing actionable and I'm going to emphasize actionable insights to help you think through what you're facing now and what to specifically do next.

Today I have gathered five Deloitte leaders to explore the COVID-19 related challenges confronting businesses from multiple angles, economics, supply chain, human capital, crisis response, and the Asia perspective.

One leader that has inspired me is the prime minister of New Zealand, what she said is "we focus first on the health of our citizens and our population. It is those healthy citizens and population that will ensure our economy can recover," and to me that's quite hopeful. If we can beat this virus, which I'm confident we will, then we're going to have a healthy population that will ensure the economy also recovers.

—**Cindy Hook, CEO, Deloitte Asia Pacific**

Mike Kearney: We are all working virtually. Like I said, I'm taking this from my office. So there may be a couple audio challenges throughout the interviews and that's because we are interviewing people who are also working likely at their homes all across the globe. We know that this is a very fluid situation and we're trying to bring what really matters to you right now. So let's get to it.

Let's hear from, the Deloitte US economist who's going to share how the pandemic impacts businesses from an economic perspective.

Mike Kearney: Danny, I have a question that I believe is on everybody's mind, especially mine, and that is simply: are we already in a recession?

Danny Bachman: So we're clearly going to be in a period of slow economic growth or even possibly a quarter of negative growth just from the shock of how we've reacted to the COVID-19 outbreak. But there are two possibilities for how this plays out. One of them is that it's relatively short. It's very focused on the fact that we slow down certain parts of the economy in order to achieve social distancing. We flatten that infection curve. And after a couple of quarters we've done that and the economy goes back and returns to normal or near normal. The possibility and the real fear that we have is that the financial system is going to turn out to be vulnerable in ways we don't currently or haven't yet been able to figure out and credit will dry up and then we'll get a recession triggered that look not as deep necessarily as 2008, but more like 2008 where people can't borrow, there's no lending, there's a lot of credit problems. And so that's really the sort of the worst cases we hit. Something like that. And so the question is, are we going to avoid that or, not.

Mike Kearney: And what type of data would you be looking at to determine if it's going to be short or longer? What should we all be looking at as we navigate the next several weeks, months to figure out what type of a downturn it may be?

Danny Bachman: Well, I'm looking at signs that there are stresses in credit markets of the type that would create problems for financial institutions. And I have to say we have had tremendous response from the Fed standing ready to try to prevent this from happening, which is a big positive. The Fed's reducing interest rates isn't going to make people go out and buy interest-sensitive goods and services. That's not going to happen. What it does do is it gives us a space to allow financial institutions to readjust their balance sheets and not find themselves without cash. And that really needs to be done. And that's what I'm looking for is whether we discovered that there are financial institutions that can't, let say repay overnight loans or something like that. That's when it would get scary.

Mike Kearney: So there's obviously Danny, a lot of focus on when things are going to get back to normal. We were joking before we started the call about just going out to dinner. How do you think COVID-19 will impact the economy longer term based on the comments that you just made?

Danny Bachman: The main long-term issue is going to involve supply chains. One of the things that businesses have done in the last 20 years is that they've pursued cost cutting and of course keeping prices low. And in doing so they've created these global supply chains, but they've also created a lot of vulnerability to shut downs because when they found the cheapest place to produce something, they produced it all there. And I think that we've discovered that that might be a risky thing to do

Mike Kearney: Let's now hear from [Cindy Hook](#), the Deloitte Asia Pac CEO who's going to share a global perspective on the impact of the pandemic and weigh in on what businesses in Asia have learned.

Cindy, as the CEO of Deloitte Asia Pac, you have been actively working with companies on managing their COVID-19 response since January, which seems like yesterday, but a lifetime ago. What are some of the critical, maybe even unexpected lessons that leaders could learn from what you've seen in Asia over the last couple of months?

Cindy Hook: Thanks Mike, and thanks for having me today. I would actually pull a couple of things out. One is the importance of action. And if you think of that concept that we often hear about of speed over elegance because executives are in a position where we don't actually have a playbook for this. It really is unprecedented. It's better to do something even if you don't have the perfect answer, then to just sit there inactive.

The second lesson I would say would be around transparency. And I think what you do when you have the first case that affects your employees? How do you act? And my advice would be absolute open and honest communication as best. And I think the last thing I would say the third thing would be around leadership and the importance of calm, confident leadership that is focused on resilience and getting through this crisis.

Mike Kearney: Cindy, let me break those down. The first one that you talked about is there is no playbook for this, but one of the things that I find at my clients is they oftentimes do have crisis or business continuity playbooks and they sometimes get paralyzed and actually go back to those playbooks and try to figure out what to do. And I think what you're saying is irrespective of a playbook or not, it is extremely important that you act and adjust in the moment. And then you talked about leadership being calm and confident. What role does hope play into that? Because what I'm seeing is people very uptight, nervous about the future, but in many respects, I think one of the most important things is making sure people feel not only confident about us going through this, but also having hope for the future, that things in fact are going to get better. And maybe there's going to be some unexpected benefits that it's going to come out of all of this. But where does hope play to communication in your opinion?

Cindy Hook: Well, I think it plays high. And you know, when you're in the midst of a crisis, there's a tendency to just get focused on today, and how do I deal with all the issues and questions and things of today? I think the leader's job is to occasionally pull

up their vision and look out at the horizon and remember what the long-term goals are. And now I admit I'm an eternal optimist. I see huge opportunities out of this. How long have we been saying we want to have more flexibility in how our workforce works? Well, here you go. You've got that chance.

Mike Kearney: Cindy, based on your recent experiences, what's been going on for the last six weeks, what advice do you have for leaders who are leading through an extraordinary time of uncertainty? I mean, we see uncertainty in the stock market just today. The hasty decisions that are being made. What advice do you have for those leaders?

Cindy Hook: Yeah, I would say you're absolutely right in the heat of a crisis it's easy to start getting negative and just burrow down in the situation of today. And I always look to leaders that actually can lift their gaze and look out at the horizon. And I'd say one leader that has inspired me is the prime minister of New Zealand. And she came out with some pretty Draconian measures and as she explained them, she said, you know, we could focus first on the economy and limit our actions because we're worried about the impact that they'll have on the economy. But instead she said, I'm going to take some pretty bold actions to protect our people. So she put her people and her citizens first and said, if we make taming health and the resilience of our citizens certainly they will then ensure that our economy is revived. So I would say that the advice is people first and economics will follow.

Mike Kearney: I love that because I also believe that if people are healthy and ready to go back, I think when we are in recovery mode, people need purpose. And quite frankly, I think the recovery will provide that purpose. So great. Great response. Thank you. Cindy.

Let's hear from [Chris Ruggeri](#), the Deloitte risk intelligence leader who's going to share her perspectives on crisis response and how leaders can make decisions in an environment of extraordinary uncertainty.

So Chris, you're on, like I am on the front lines every day with our clients and one of the things that you have, I think a really interesting vantage into, and that is what are they struggling with in the response to COVID-19?

Chris Ruggeri: Yeah, sure. Mike. I think one of the challenges of an actual crisis event is moving from the conceptual to reality. One of the things that we see clients struggling with right now is as they activate their crisis response plans, identifying some of the gaps, the vulnerabilities or the areas where the plan does not act with the reality of the situation.

Mike Kearney: What about if you're a client—cause I've seen this in a couple of circumstances that they may have had their plans but maybe they didn't pay attention to them or maybe they weren't sufficient—so in effect they don't have a plan. Do you have any guidance for them? Cause they're almost kind of building the plan as they navigate this turbulent time?

Chris Ruggeri: Sure. I mean most companies we see have some semblance of a plan. It may not have ever been tested or it may not be fit for purpose, but for those companies that either have a plan that they're finding is not the appropriate strength for this particular event, the first step is to really stand up your crisis response office. And that means establishing the leader's intent of your organization is the North Star for the overall crisis response. So this is the type of environment; this is the type of situation; this is the type of event where it really needs direct c-suite engagement on a daily basis. Also formalizing work streams and accountabilities around the crisis response office. And looking at this Mike over a time series, I think sometimes we see companies they have a plan, but they don't think about how it will morph and change over time. And by definition, crises are uncertain. And this particular pandemic situation fits that profile. So making sure that you have clear accountabilities is critical. And of course, making sure that you have that your executives informed: there's a regular communication protocol, there's a cadence,

and someone to manage the flow of information, the flow of data so that decision makers have the best available information that they can have to make decisions in real time.

Mike Kearney: Chris, can you elaborate? One of the things that you had said at the beginning of your response is this is something that the C-suite needs to lean in on. And obviously you could potentially have a myriad of different people running the crisis response, but can you maybe dive into what the CEO's role for example, is in this and really the importance of them being engaged?

Chris Ruggeri: Sure. I mean, this is exactly the time where leadership will be tested and where various stakeholders are looking for senior executive leadership. So, we've seen the response of the stock market over the past week or so, and the market gyrations and the plunging equity values that we've observed reflect the uncertainty of the situation. What the market is looking for—and it's not just investors—it is also other stakeholders in your ecosystem, its vendors, its customers, it's your employees. They're looking for stable guidance and leadership. They're looking for a leadership team. And, and this is really where the CEO sets the tone where it's the CEO is demonstrating calm in this situation. And, it's a mindset that's supported by a very detailed plan.

Mike Kearney: And Chris, what about the fact that, or at least in my world and what I've seen at some clients is that certain leaders are challenged with making decisions when they have limited information. What advice do you have for them other than make the decision? What can they do? I mean, cause it's a challenge I've seen.

Chris Ruggeri: Yeah, absolutely. And I think the most important thing to do is try to frame the decision with the best available information that you have. So for example, one of the things that we're seeing companies do right now is against the backdrop of declining business activity. You know the question on everybody's mind is what are the implications on my P&L, on my cashflow, on my working capital

management? Well these are the type of things that you can start to model out and evaluate. Now the ranges of possibilities might be pretty broad initially, but at least if you start to put the brackets around the decision and you create that framework, then you know, what information is most important, what information should you prioritize trying to capture. Then you can, over time, as you get better quality information, then the range of possibilities gets narrowed. And so I think trying to put a framework around the decision making process is really important. And also prioritizing what's most important because again, against the backdrop of, of limited time and executive mindshare. What do you want your senior executives really focusing their time and attention on? What's most important? And that's critical.

Mike Kearney: Now let's hear from [Robin Jones](#), a principal in Deloitte's workforce transformation practice, who's going to talk about the impact of human capital and the implications of moving to remote working.

Hey Robin, you know, many companies have asked their employees to start working from home, kind of like Deloitte. I'm actually working at home right now recording this podcast. Though I think it's easier said than done. So the question I have for you is, what advice do you have for businesses who may be dipping their toes into virtual work for the first time?

Robin Jones: Yeah, absolutely. Companies really are on all different points of the spectrum in terms of readiness for this type of situation. Certainly for the company that has done this in pockets, maybe it's not the preferred way to do it up until now, but there are best practices within your own organization. There's a really heavy emphasis here on team culture when you start to work remotely with one another. And the role of the manager and team leader especially is absolutely critical in driving some seamless levels of work working remotely versus onsite together. So tools like the visualization and of course the technology, making it available and really making sure people have the opportunity to state their limitations right now and what they can and cannot do to contribute

to the work itself or if they're working with the team really being present and eliciting that type of input. I think one of the most important things that is perhaps overlooked is to have an inclusive mindset in all of this. And that is think for example, there's really five generations in the workforce today. And if you break that down, you have such wide variation and comfort with the technology itself. Comfort with working remotely. Everyone has different demands and at home right now and solving for those is really a person by person type situation, which goes back to the point about team leads being so critical and eliciting the feedback that that individuals really need to change effectively how they work when they work and where they were.

Mike Kearney: What advice do you have for somebody that's sitting at home? Like they're sitting in their office like I'm doing right now and they're like, I have never had to work at home like this before. My kid is on a skateboard outside. I've got all of these home constraints. What advice do you have for that individual?

Robin Jones: Yeah, it's affecting all of us, right? You know, it's really important to first and foremost, wellbeing is absolutely paramount and that includes all the way to what actually makes you a well-performing and, and healthy worker. And that absolutely is your local space. I mean everything from the ergonomics of where you're sitting, which you may not have set up at home to, setting expectations with others. And again, being open, over communicative about what as you, what you might consider ambient noise in the background from dogs and children and other family members, the FedEx delivery. So, you know, that's gonna happen. And the thing is that all of us are really accustomed to that. All of us are really in it together, which to us is, both at Deloitte but what we're seeing with our clients is that this is really a moment to spark innovation, to actually start to have that aha—we can do this. We can really come together and appreciate that frankly what we've been saying all along the board blurring of lines between home life and work life. It's here. It's now.

Mike Kearney: So one of the conversations I had with somebody that works with me this morning was a concern that she had with regard to kind of that background noise. She has young kids and she was really worried about getting on a call, especially when we have clients and there being some disruption. And one of the things that I had said, I'd love to get your thoughts on this and hopefully I did it right. But I said, I actually think that in this time, in this crisis people are going to be much more accepting, you know, of some of the challenges. So if you are at home and you are worried about the noise or the disruption, people are going to be more accepting. Have you seen that from our clients or companies that you work with or what's your thoughts on that?

Robin Jones: Absolutely. Empathy is everything in this situation and we're all going through it together and sort of just as we are in our communities reaching out and offering support and helping one another. The same thing happens at work. We're a very human centered species of course. And bringing those personal needs just right out to the forefront. People want to help one another. So you mentioned your skateboarding / skateboard riding son.

Robin Jones: I'm looking at my little puppy. Who's staring at me, who's happy that I'm at home with her and she's here with me. Um, and I have my own show, teenage homeschooling themselves. So there's a lot of ambient noise, but we're saying we're telling our people and I'm really not seeing any pushback on this. Just be open, be honest, be authentic.

Mike Kearney: The beauty is sometimes it's the simplest things that you could put into place to help people through this. So let's talk about some of the challenges. We've kind of alluded to them—kids running around with skateboards— but what are some of the challenges that can arise from virtual work in your mind or from what you've seen?

Robin Jones: Yeah, absolutely. We've talked about just creating space to do the work itself. You know, we talk physical space, but space, mental space, creating, taking other demands on your time, offloading those,

that's very, very difficult right now. Obviously connectivity is critical and make companies really need to go and be proactive about making sure employees and workforces have reliable internet connections. Really what we're seeing companies do is of course the visual technology is ideal for connecting, but when you're on a document sharing platform, there's tremendous productivity improvement out there that's possible.

Realistically, many companies, it's kind of like when you use certain tools, you know, common apps on your phone and you only use maybe 10 percent of the functionality that's been created. The same is true with documents sharing platforms. Most companies are only using 10 percent of the capabilities. And this is a real moment to find new ways to leverage the technologies that that's there to create run meetings differently to capture action items and make decisions and document them real time for people.

Mike Kearney: Yeah. Do you think when we get back to business as usual, do you think this is a tipping point to accelerate virtual work?

Robin Jones: I absolutely think it's a tipping point. I mean, never have we had a moment when the entire world has to shift the way they work, live, get educated, get healthcare, everything is, is now open for change if you will. And we're all learning together. That's the beauty of this.

Mike Kearney: Robin, one of the things that I've seen is when uncertainty is really high, anxiety is really high. And so one of the best practices I believe is when leaders communicate in an open and transparent and authentic way that sometimes reduces uncertainty, which then in turn can reduce anxiety. What's your thoughts on that?

Robin Jones: Absolutely. The tone at the top is everything and leaders are really judged on how well they really how well they messaged to their people and and do they resonate with them. So first is making sure that there's acknowledgement about that anxiety. Second is making sure that there's acknowledgement about the lack of information and where they're either seeking to get more information or perhaps

scenarios that are being considered. I think what's important, too, is leaders need to acknowledge the kinds of questions that people may have on their minds but have been afraid to raise. And our firm, we use a system that allows people to submit questions on their mind and then vote them up. It's been a really effective tool to get in front of every communication and leadership teams that can find that way to tap into what the people are thinking, what they're worried about, what's on their minds. Certainly job security is one of those that keeps popping up and companies that we're serving. And it's really important to get in front of those. And even if you don't have all the answers, acknowledging them for people can help temper some of the anxiety.

Mike Kearney: Now let's hear from [Jim Kilpatrick](#), Deloitte global supply chain and network operations leader who's going to provide a view into the supply chain disruption and the impact of COVID-19 across the globe.

Jim, how do you see COVID-19 impacting different industries? Are there specific industries that are being hit harder than others? I recently heard a term around industries being coined as stay at home, stay outside. What's your thoughts?

Jim Kilpatrick: It's a great question. I think what we're seeing right now is that those industries that are impacted the hardest are those that are consumer focused. It's the industries that are in tourism, hospitality and leisure. So we think about that, that's airlines, hotels, restaurants, entertainment complexes, cruise ships, rental car companies. These industries have all been impacted quite significantly. In fact, for many of them, the demand is lost. But we're also seeing that as consumer shopping behavior has changed. You know, retail has been impacted. Luxury goods, consumer companies have been impacted. Those companies that have perishable commodities that they can't get into, markets have been impacted. So a lot of the immediate impact and the significant disruption is on the demand side or consumer oriented industries. However, we are seeing impacts mostly due to supply side disruptions in high tech, automotive

and other industries. What's different about this particular crisis is that in that the impact is felt broadly across almost every industry and globally.

Mike Kearney: Hey Jim, are there any industries that are seeing a positive impact in your mind?

Jim Kilpatrick: Well, you know, there are industries that are seeing a positive impact, although short lived, certainly life science and healthcare related companies. There's tremendous demand for goods and services. There's been an uplift in some companies that produce, you know, cleaning and healthcare oriented products. Again, a temporary upside. You know, in demand, there's some industries that have really seen a fairly modest impact and utilities would be one example. You know, consumer staples and durables. In fact, some of those have have received also a disruption on the positive side in the short term as people look at covert pantry loading, and I call it panic buying. But you know, there's, there's certainly some industries that haven't been impacted as hard as others. The big ones obviously are the ones that are focused on consumers and the disruption that they've seen with either a loss of demand or a shifted demand at best.

Mike Kearney: I have a client that is being impacted significantly from a supply chain perspective. So for companies that produce, distribute or source from suppliers in China and other areas impacted, what steps should they be taking if they haven't already? And maybe if you could answer this from the near term and long-term perspective?

Jim Kilpatrick: Yeah, sure. Great question. I think what you know, we looked at how this played out. The immediate impacts were where demand side impacts as we just discussed, where, you know, we saw a tremendous slowdown in consumer shopping behavior in China and China is a major market. You know, now a lot of the attention has focused a lot of attention, I guess a couple of weeks focused on those companies that view China as a major source of goods. China, you know, became coined the world's factory and

when the world's factory shuts down, the world shuts down. But I think you made a very good point is that this is not really a China problem anymore. This is a global problem. So while a lot of the initial focus was on China, you know, the contagion if you will has spread very significantly and now impacts much of Western Europe and much of the major industrial countries..

So with that you know, one of the first things that companies need to do is they need to understand the risk in their supply network. Many companies have visibility to their direct suppliers, but they don't have visibility beyond that. The so-called tier twos, tier threes and beyond. So if we just take a look at China specifically, it was interesting to note that over 200 of the Fortune 500 companies had some form of presence directly in Wuhan. Many of those companies had tier one suppliers and Wuhan and the impacted areas. But it was an interesting statistic that over 90 percent of the Fortune 1000 had at least one or more tier one, tier two and beyond suppliers in the immediately impacted areas in China.

So you can see how quickly it's the extended supply chain the rest of the companies had a lack of visibility. Too many companies had, you know, worked supply chain scenarios to geographically diversify, moving major manufacturing shops out of China into countries like Vietnam, Cambodia Taiwan. Other places in the world where similar low cost labor could be sourced. However, what they didn't understand is that many of those suppliers were supplied by suppliers that were still in impacted areas, so the first thing people need to do is get visibility to their extended supply chain and obviously you need to start thinking through your inventory policies and what additional buffers you may need to buffer against supply chain disruptions. You need to think through workforce strategies to make sure you can maintain your operations at the same time preparing for certainly increased

absenteeism and even the potential to close plants. You need to start thinking through alternate sources of supply in cases where you're reliant on a key supplier or supplier in key region that is not as easy as it once was. Obviously, as this issue has spread from being an initial China problem to a global problem. You need to establish lines of communication with your suppliers and your customers because ensuring that you're all on the same page with broad priorities that keeps supply chains moving will be absolutely essential. And you need to think through not only managing the flow of products, but the flow of cash that goes with those products because we are seeing that many companies are becoming extremely stressed from a financial perspective as this disruption occurs.

Mike Kearney: And Jim, what about the fact that it sounds like China's not fully back, but they're beginning to recover. Will that have a positive impact on supply chains and your opinion?

Jim Kilpatrick: Well, absolutely. When I talked to my partners that are on the ground in China, it is good to see that the curve is certainly flattened to the number of new cases of COVID in China are relatively low. When we see the outbursts and the rest of the world. So China is definitely coming back on stream and that's very good for supply chains. However, I would say that that we have to remember that supply chains are global and restarting supply chains that have been shut down and disrupted for some period of time is not going to be easy. In fact, it's already showing that in China it's taking an extended period of time to bring them back to what would be a normal cadence of operations in many of those factories are still running well below the capacity. And when you have disruptions and disconnects and logistics networks and plants and distribution centers and customers around the world, restarting the supply chains is going to be a challenge.

Mike Kearney: I want to personally thank all of the Deloitte leaders who gave their time to provide their perspective. This is a stressful and unpredictable time for all organizations. The situation is *fluid* and no one has all the answers, but as we learn more, we will share more.

Personally, I'm trying to get enough sleep, take care of myself and my colleagues and spend time with loved ones. I hope you can find your own positive outlets in these trying times.

There's so much to consider as we've only scratched the surface. Stay tuned as we bring more insights from leaders across disciplines and go deeper into these and other defining issues facing businesses during this crisis.

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