## **Deloitte**



# The Heart of Resilient Leadership Responding to COVID-19



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## In the crucible of crisis, resilient leaders are defined first by who they are....

**Five qualities** of a leader that distinguish between surviving and thriving amidst crisis

### **MISSION FIRST**

Stabilize today, and harness both the energy and the constraints of volatile conditions to spark innovation tomorrow.

 How are you turning the COVID-19 crisis into an opportunity to emerge stronger?

### SPEED OVER ELEGANCE

**Decisive action – with courage –** is often more essential than getting it perfect.

 How are you empowering your teams to take courageous action in a volatile environment?

### DESIGN FROM THE HEART

Seek and reinforce solutions that align to your purpose, your societal obligations, and serve the heart of the organization.

 How are you demonstrating to your employees, customers, communities and ecosystem that you have their best interests at heart?

### **OWN YOUR NARRATIVE**

Paint a picture of a compelling future and path forward that your stakeholders can support and rally around

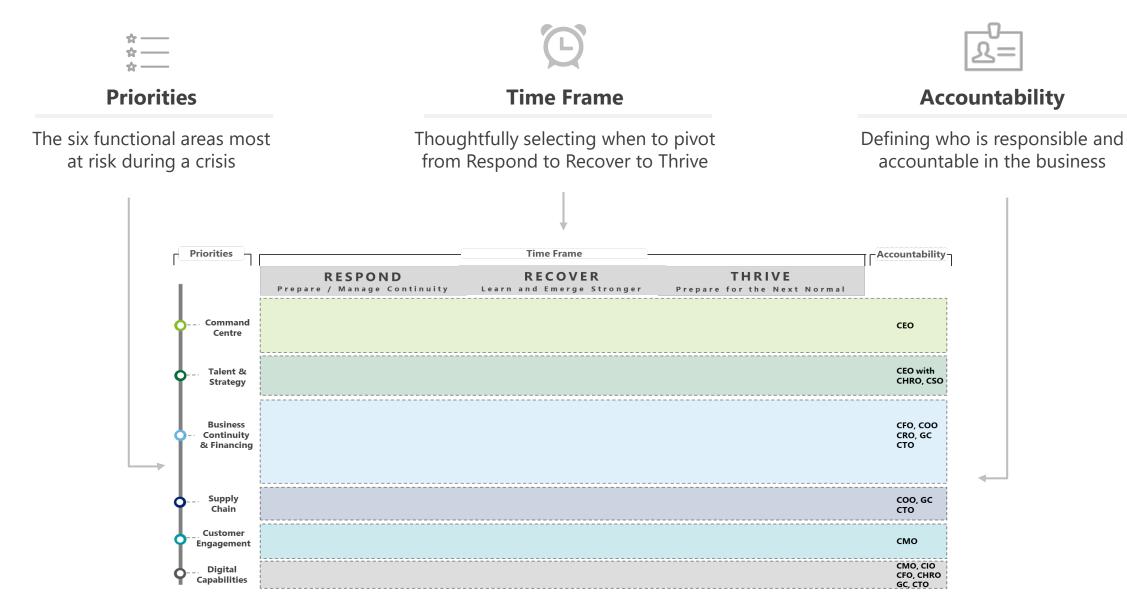
 How are you proactively filling the information vacuum to combat the spread of misinformation and rumor?

### EMBRACE THE LONG VIEW

Stay focused on what's on the horizon to instill confidence and steadiness across your ecosystem

 How are you anticipating and responding to the new business models likely to emerge post COVID-19?

### Resilient leaders are then defined by what they do along three dimensions



## Resilient leaders in a crisis take specific actions across these three dimensions

Detailed briefings further covering these priority areas can be found on **Deloitte.com**.

Priorities –	Time Frame ————————————————————————————————————				
1	RESPOND Prepare / Manage Continuity	RECOVER Learn and Emerge Stronger	THRIVE Prepare for the Next Normal		
Centre	□ Institute crisis and resilience planning □ Nominate task force leadership team (and back-up) □ Activate and empower COVID-19 Command Centre □ Itemize organizational vulnerabilities by impact and value □ Develop and launch Communications Plan and Strategy □ Activate and communicate Pandemic Preparedness strategy □ Scenario plan to determine decisions to make today or defer	<ul> <li>□ Activate recovery contingency plan if required</li> <li>□ Reflect on lessons learned and rebuild with resilience</li> <li>□ Formalize and update crisis and resilience playbook</li> <li>□ Embed relevant Command Centre protocols into BAU</li> </ul>	<ul> <li>□ Institute crisis and resilience planning as BAU</li> <li>□ Update crisis playbook to reflect COVID-19 lessons learned</li> <li>□ Organizational design for resilience and flexibility</li> <li>□ Regularly refresh vulnerabilities assessment</li> </ul>	CEO	
Talent & Strategy	<ul> <li>Optimize corporate HR policy – leave, travel, global mobility</li> <li>Review employment contracts for potential issues</li> <li>Implement and monitor safe / flexible working arrangements</li> <li>Prioritize strategic choices and investments</li> </ul>	Reimagine talent strategy and operating model Adopt "above-the-bar" regulatory / governance protocols Manage rapid employee return and ramp-up (future state) Execute on strategic growth, partner and M&A ambitions	<ul> <li>□ Rework employment arrangements to reflect next normal</li> <li>□ Employee education and training in crisis and resilience</li> <li>□ Consider shape of business models and ecosystems of the future</li> <li>□ Build scenario thinking / sensing into strategic decision-making</li> </ul>	CEO with CHRO, CSO	
Business Continuity & Financing	<ul> <li>□ Ensure actions uphold Responsible Business principles</li> <li>□ Implement cash conservation and recovery actions</li> <li>□ Evaluate working capital and liquidity requirements</li> <li>□ Rapid working capital optimization and credit solutions</li> <li>□ Control discretionary operating costs and capex</li> <li>□ Negotiate more flexible financing terms with lenders</li> <li>□ Communicate with other key financial stakeholders</li> <li>□ Understand impacts on contractual obligations (e.g. loss quantification, force majeure)</li> <li>□ Gather documentation for contract negotiations and claims</li> <li>□ Implement cash tax strategies / leverage government incentive</li> </ul>	□ Initiate claims and contract dispute resolution □ Ramp-up to normalized financial reporting □ Ensure internal audit resources reallocated based on risk □ Right size and operating model of support function (e.g. fixed vs variable resources; manpower vs technology) □ Implement equity raising and low-cost debt refinancing □ Exit of non-core and under-performing assets	☐ Maintain robust financial forecasts and scenario planning☐ Stress test corporate model and capital structure☐ Build resilience into operations and financing	CFO, COO CRO, GC CTO	
Supply Chain	<ul> <li>Identify supply chain risks and potential disruptions</li> <li>Develop contingency plans for operational disruption</li> <li>Understand demand and supply side shocks and develop inventory strategies to buffer volatility and risk</li> </ul>	<ul> <li>Establish multi-tier supplier network visibility to risks</li> <li>Collaborate with customers and suppliers to synchronize operations to priorities within constraints</li> <li>Manage inventory and cash flow through agile execution</li> </ul>	<ul> <li>Establish control towers to predict, sense and prescribe risk response</li> <li>Restructure supply chain to improve resilience</li> <li>Implement Industry 4.0 and Digital Supply Network (DSN) solutions improve end-to-end visibility, synchronization, optimization, and ag</li> </ul>	to CTO	
Customer Engagement	<ul> <li>Engage with key customers to support business continuity</li> <li>Reinforce loyalty by protecting and rewarding customers</li> <li>Secure commercial and financial support from customers</li> <li>Develop communication strategy with front line employees</li> </ul>	Review orders vs commitments and inventory Use advanced technology in customer communications Reset receivables cycle and collections process and KPIs	<ul> <li>Establish open communication channels with customers</li> <li>Evaluate capacity / incentives to provide financial support</li> <li>Develop contingency plans for financial disruption</li> <li>Reimagine the operational model to strengthen customer engagem</li> </ul>	<b>CMO</b> ent	
Digital Capabilities	☐ Assess and address systems and cyber vulnerabilities☐ Enable data-driven insights and situational awareness☐ Develop real-time sensing / red flag reporting dashboard	<ul> <li>Update digital properties to synch with availability</li> <li>Design digitally-enabled flexible work arrangement</li> <li>Optimize e-commerce and customer / channel strategy</li> </ul>	<ul> <li>□ Implement digitally-enabled future of work including for business processes and back-office functions</li> <li>□ Reflect on lesson learned and share best practices</li> </ul>	CMO, CIO CFO, CHRO GC, CTO	

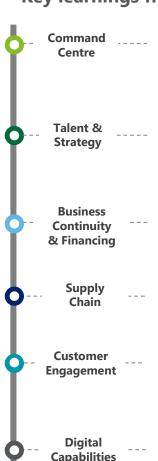
## Resilient leaders will need to evaluate actions within the context of *geographic location and sector*

CASE STUDY: China took decisive actions to contain the impact of the crisis on their sectors. While the country was clearly impacted in Q1 FY20, there is evidence of recovery.

Short term	Impact in Q1 2020
Recovery Scenario	Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in
	rest of world)

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	Scenarios		Influencing Factors				
Priority Impact Sectors	Short term	Recovery scenario	Reduced/ Restricted Travel	Production Suspended	Supply Chain Interruption	Reduced Consumption	Working Capital Pressure
Automotive	Н	М	X	X	X	X	X
Consumer Goods (Clothing & Essentials)	М	М		X	X	X	
Consumer Goods (Luxury Goods)	Н	М	X			X	X
Transportation and Hospitality	Н	М	X	X	X	X	X
Technology (Hardware)	Н	М	X	X	X	X	X
Real Estate	Н	N	X	X		X	X
Oil & Gas	Н	М	X	X	X	X	
Life Sciences	Н	0	X	X	X	X	X

### Key learnings from leading companies in the Chinese market...



Leading companies in China established emergency response teams right away in order to assess the risks and formulate response strategies after conducting robust scenario planning, which significantly improved epidemic response mechanism and toolkits.

After the initial outbreak, companies began implementing flexible work arrangements for middle and back office staff in order to minimize on-site work while meeting basic operational requirements. With remote work capabilities being stress tested, overall opportunities for improvement were identified and addressed. A digital employee health declaration system was also launched by some companies in order to track employee well-being and to be in compliance with administrative reporting requirements.

Companies immediately began to update / develop business continuity plans to understand contractual obligations, evaluate financial impacts and liquidity requirements, formulate debt restructuring plans, and optimize assets to help restore financial viability. Another core focus was to understand financial impacts across the entire value chain.

Companies in China accelerated investment in digital trading solutions to combat supply chain interruptions, overcome logistics and labor shortages, and local access limitations in order to ensure product supply for the domestic market. Operational agility and data quality were critical in supply chain scenario planning.

Companies quickly moved to maintain open and ongoing lines of communication with their customers on the impacts of COVID-19 to the business and the emergency actions implemented. This working in partnership has built confidence amidst the uncertainty.

Companies are revisiting the current e-commerce landscape and developing digital roadmaps for the short, medium and long term. Companies realized digital capabilities needed to be implemented across the entire organization in order to embed resilience. Some leading companies in the service industry promoted "no touch" experiences in order to shift away from "brick-and-mortar" presence.

## ...while *leveraging the learnings* of those experiencing the same crisis conditions

Command Centre

Talent & Strategy

Business Continuity & Financing

> Supply Chain

Customer Engagement

Digital Capabilities

### Command Centre stand up to centralize communication and decision-making

For Auto manufacturers grappling with the move to electric and reduced demand from China, COVID-19 has come as an unwelcome shock. Disruption of lean supply chains has had an immediate impact, halting production in some cases, and the fear of financial stress and potential failure of smaller suppliers is causing alarm across the industry. In early February, one major OEM turned to a Deloitte member firm for support in addressing these concerns. We stood up a Command Centre and are now working through the issues and providing targeted support where required to help maintain production and balance supply in response to more volatile market demand.

**COMMAND CENTRE, AUTO SECTOR, EMEA** 

#### Managing financial stability to support business continuity through uncertainty

In February, a leading green energy supplier—an audit client based in the PRC and listed in Hong Kong—engaged a Deloitte member firm to provide working capital and debt restructuring advisory services. The client was seeking to obtain waiver and amendment consent from lenders on the possible material uncertainty on going concern. In addition to assessing the company's financial position and debt servicing ability, Deloitte also formulated their communication strategy to increase transparency to lenders and obtain their consent.

**BUSINESS CONTINUITY & FINANCING, CHINA** 

### Framing crisis communication strategies to reinforce brand image

A multinational financial services company with operations across China wanted to further formalize their approach to Crisis Communications with stakeholders. They spoke to a Deloitte member firm to better understand the typical frameworks that can be used. We were able to take them through our Crisis Communications framework, and then perform a gap analysis of their current practice to this. This has enabled the client and Deloitte to work together to rapidly enhance the clients approach to communicating with stakeholders at this important time.

**CUSTOMER ENGAGMENT, FINANCIAL SERVICES, CHINA** 

#### Training support for a smooth transition to remote work arrangement

For many Chinese enterprises, remote work has become the only option to resume work during the epidemic. A large state-owned bank sought support from a Deloitte member firm to help their employees quickly adapt to the remote work arrangement. Deloitte developed and delivered a series of training courses which were tailored to different target groups – employee, management team, and HR. The courses covered key operational aspects including business development, work management, customer management, team management, and HR policies. Deloitte's training support helped ensure a smooth transition to remote work arrangement and maintain productivity at all levels.

TALENT & STRATEGY, FINANCIAL SERVICES, CHINA

### Leading supply chain assessment and innovation to prepare for disruption

A major retailer with a high degree of vendor concentration in China was concerned about the potential for a prolonged supply chain disruption. They turned to a Deloitte member firm to assist them with developing a real-time pandemic preparedness strategy. This included structuring a global Command Centre structure, communication framework and tools. Deloitte is helping stress test the business continuity plans globally, identifying gaps and potential vulnerabilities in the supply chain, and developing contingency plans. We are also deploying cognitive sensing technology to get an early indication of changing trends and to create situational awareness to support fast executive decision-making as events unfold.

**SUPPLY CHAIN, CONSUMER RETAIL, US** 

### Conducting Cognitive Sensing to detect COVID-19 operational and reputational risks

A state government agency was interested in proactively monitoring COVID-19 outbreaks in near real-time to enhance their ability protect and safeguard their citizens. They engaged a Deloitte member firm to enhance their resiliency and crisis response program, including augmenting their sensing capabilities. Deloitte configured their cognitive risk sensing dashboard to provide locational intelligence on emerging COVID-19 outbreaks in near real-time to help the government agency detect disruptions that could impact their citizens' safety and security, as well as their trust in the state's ability to handle the crisis.

**DIGITAL CAPABILITY, STATE GOVERNMENT, US** 

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