



Decision-making and protecting performance through times of crisis

Deloitte's digital dialogue – April 2020



This insights summary is based on a Deloitte's digital dialogue on *Decision-making and protecting performance through times of crisis* which was held with business professionals and specialists including **Daniel Monehin**, Doctoral Researcher in Crisis Leadership, University of Manchester; **Tim Johnson**, Crisis, Issues and Reputation Management Specialist, Partner, Deloitte's Specialist Crisis and Resilience Practice; **Jo-Anne Mitchell-Marais**, Africa Restructuring Services Leader, Deloitte Africa and **Bill Marquard**, Director, Monitor Deloitte. Moderated by Dr Martyn Davies, MD, Emerging Markets & Africa, Deloitte Africa

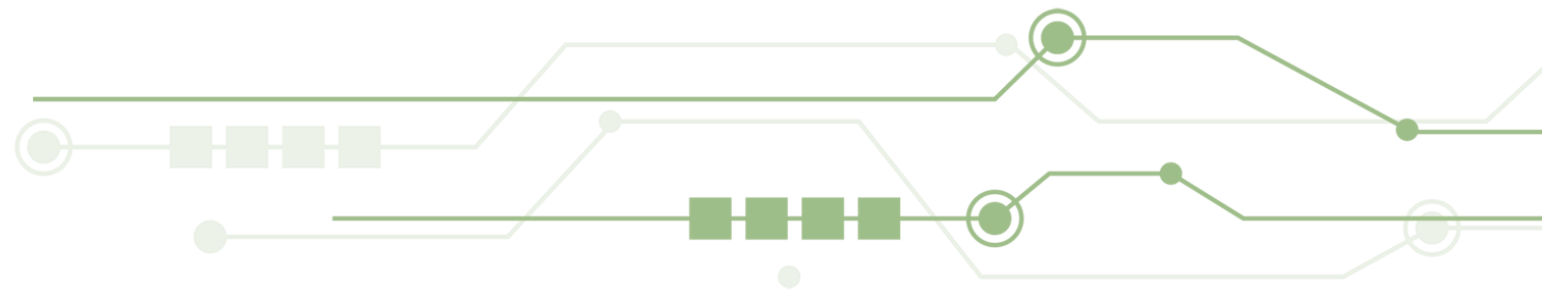


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Decision-making and protecting performance through times of crisis



This Deloitte Digital Dialogue webinar hosted on 8 April aimed to highlight the importance of effective decision-making during critical times and how businesses can respond in order to reach recovery



“Leaders' decision-making must be decisive in order to achieve a specific objective.”

Seven responses to information in a crisis

Relentless – A relentless approach has proved to lead to performing better in times of crisis and is also one of the most important responses. Relentlessness involves disassembling a crisis with the goal and intention of creating a better world, which will then determine the sincerity and seriousness of responding to a crisis. Once the leader shows commitment to creating a better environment that would improve performance during a crisis and the team sees that the leader is trying to achieve this, the team is likely to rally behind the leader.

Egoless – In most incidents, leaders personally assail themselves. A leader must remove themselves personally from the crisis.

Countless – Responding to crisis requires a level of openness to countless layers of gaps of information. During a crisis, leaders need to analyse each action taken/each action yet to be taken in order to clear the path to ensure that responses are not repeated.

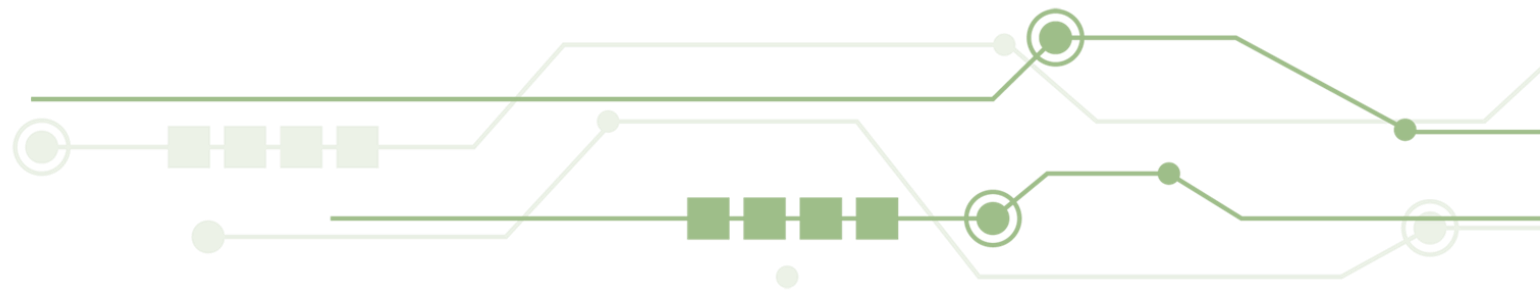
Borderless – Leaders will have to be transparent about information and plans they are thinking of implementing in a crisis. This creates trust and understanding between the leader and stakeholders,

building a single-minded solution with different ideas on how to approach the crisis.

Faultless – When responding to crisis, leaders need to remember that information can never be faultless. They therefore need to anticipate fragmented information and pursue collaboration to find information in order to limit inaccurate information.

Frictionless – Leaders need to be comfortable with information that is compartmentalised and unorganised. They also need to be aware that there will always be friction when responding to a crisis.

Endless – The search of information can never end. Leaders' decision-making must be decisive in order to achieve a specific objective. Therefore, leaders need to determine when to stop searching for information and differentiate between a perfect solution versus an optimal solution.



“Resilient leadership requires a desire to serve the heart of the organisation, its purpose as well as its societal obligations...”

Resilient leadership

Resilient leaders are partly defined by their characteristics, which are used to guide and navigate the organisation throughout critical times. The five qualities of a resilient leader that distinguish between surviving and thriving amidst a crisis include:¹

Mission first – Leaders need to take the organisation’s mission into consideration and make it a priority when making decisions. They need to turn the crisis into an opportunity, stabilise their organisations and harness the energy as well as the constraints of volatile conditions in order to spark innovation.

Speed over elegance – Decisive action, together with courage are crucial characteristics for resilient leaders, especially in times of crisis. This trait will not only help the organisation take advantage of opportunities amidst a crisis, but will also empower teams to take courageous action in any volatile setting.

Own your narrative – Leaders need to proactively fill in the information vacuum to combat the spread of misinformation and build a narrative that

stakeholders can and are willing to support. By doing this, stakeholders will be inspired to persevere through tough times.

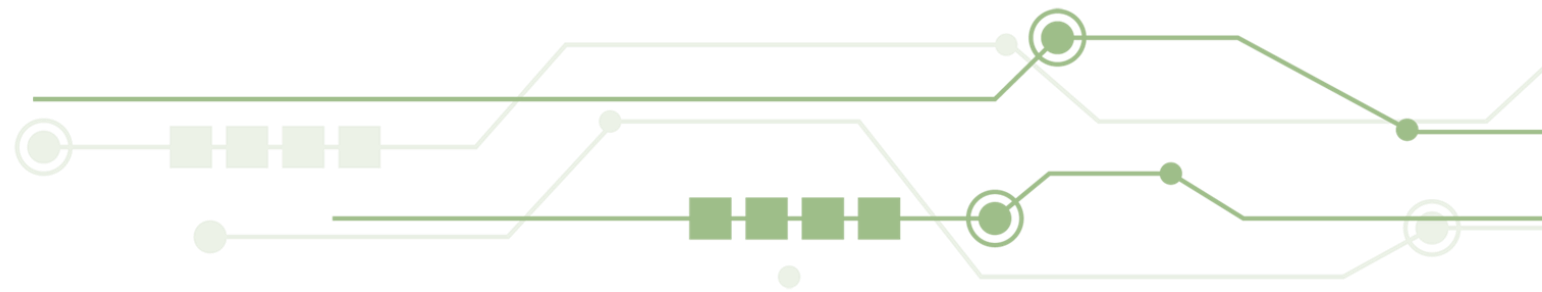
Embrace the long view – As a leader, it is important to stay focused on the long-term view, to instil confidence and steadiness across the organisation. This can be achieved by anticipating and responding to new business models that are likely to emerge after a crisis.

Design from the heart... and the head – Resilient leadership requires a desire to serve the heart of the organisation, its purpose as well as its societal obligations, while simultaneously making difficult decisions to protect the organisation’s operational and financial viability. This requires a balance between empathy and decisiveness in serving the organisation’s employees, customers, communities and ecosystems.

In addition to the qualities mentioned above, resilient leaders are also defined by what they do along Deloitte’s resilient leadership timeframe of **Respond**, **Recover** and **Thrive**.² The timeframe is used by leaders to thoughtfully identify when to pivot from Respond to Recover, and thereafter to the Thrive phase.

¹ Deloitte, 2020. The heart of resilient leadership: Responding to COVID-19. Available [Online]. <https://www2.deloitte.com/us/en/insights/economy/covid-19/heart-of-resilient-leadership-responding-to-covid-19.html>

² Deloitte, 2020. Resources for resilient leadership: Explore actions within the three key phases of crisis: respond, recover, thrive. Available [Online]. <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/the-heart-of-resilient-leadership.html>



“One of the key aspects of the Demise Curve is the ability to move up and down the curve, dependent on the decisions and interventions that management applies.”

The Respond phase requires rapid decision-making during a crisis and finding ways to survive throughout the crisis, while the Recover phase is essentially about restoring the market and building recovery plans in critical times. The final phase, Thrive, is focused on ensuring overall productivity and finding ways for the organisation to succeed post-crisis.

Understanding downturn situations faced by management

All leaders face similar challenges when dealing with a crisis. As resources become constrained, executive leadership and management will need to make tough decisions to ensure that the viability and sustainability of the enterprise are not impacted.

The “Demise Curve” (see next page) outlines the points in a company’s life cycle as it approaches periods of underperformance and distress, mainly in times of crisis. One of the key aspects of the Demise Curve is the ability to move up and down the curve, dependent on the decisions and interventions that management applies.

The top end of the curve illustrates periods of initial underperformance, which usually manifests through the income statement. This could be as a result of revenue reduction, margin squeeze or perhaps a significant bad debt which creates liquidity pressure.

Underperformance is more easily addressed by the C-suite as decision-making and the balance of power is still firmly within their control.

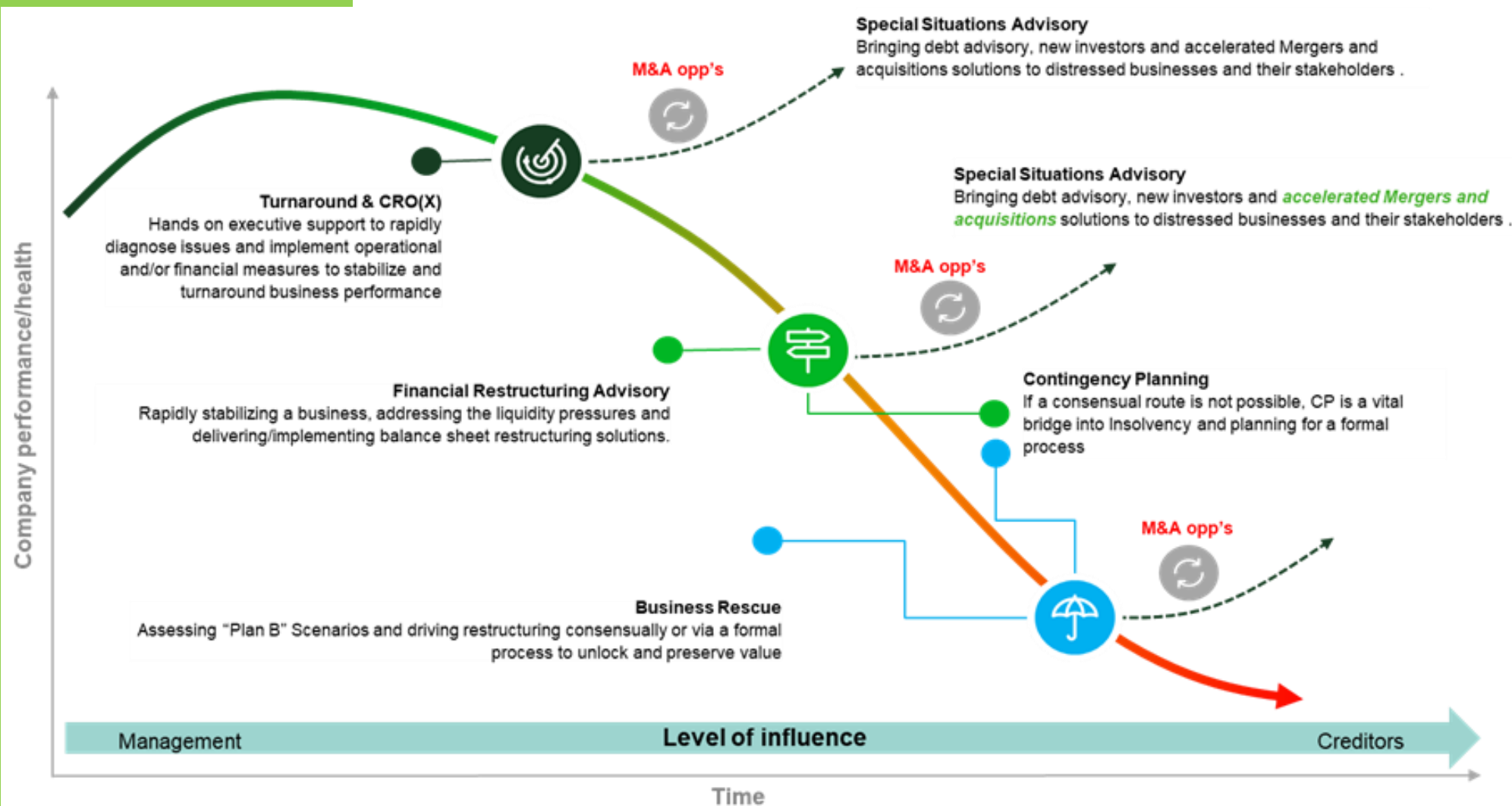
The turnaround point of the Demise Curve indicates the inflection point at which management takes proactive and precautionary actions that lead to enhanced business turnarounds and drive profitability, liquidity and ultimately sustainability.

Underperformance can worsen and result in financial stress or distress – culminating in severe cash flow pressure and a liquidity crisis.

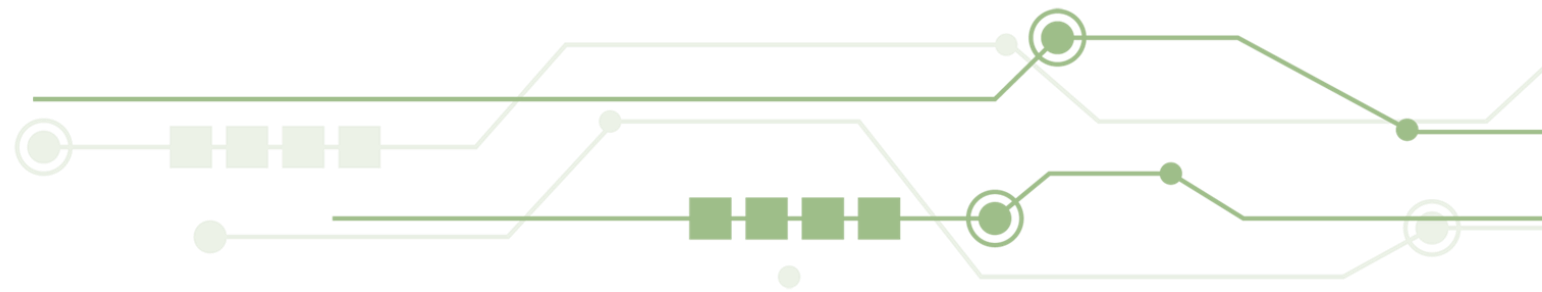
As a company approaches the financial restructuring phase, management will have far fewer options available to turn the business around, as the key operational and financial hurdles would have gained momentum, limiting management flexibility and options.

At the sharp end of the curve, even fewer options are available and the ability of management to execute strategic decisions is severely limited. Creditors tend to have the balance of power and in most organisations, that would mean that decision-making is being controlled by their financiers.

The Demise Curve of underperformance



Source: Deloitte analysis



“Proactive engagement and risk management practices provide businesses with the greatest chance of moving [...] towards financial health.”

It is possible for underperformance to rapidly translate into a financial crisis. Therefore, it is crucial that organisations protect their business performance and sustainability by creating robust frameworks, instilling discipline and governance specifically in their cash management processes. Strict cash management processes create the runway to enable the implementation of strategic turnaround actions.

Organisations also need to be able to right-size their cost base to allow flexibility to react to a financial crisis. The key here is early intervention. Proactive engagement and risk management practices provide businesses with the greatest chance of moving up the Demise Curve towards financial health.

The impact of the COVID-19 crisis on operational adjustments

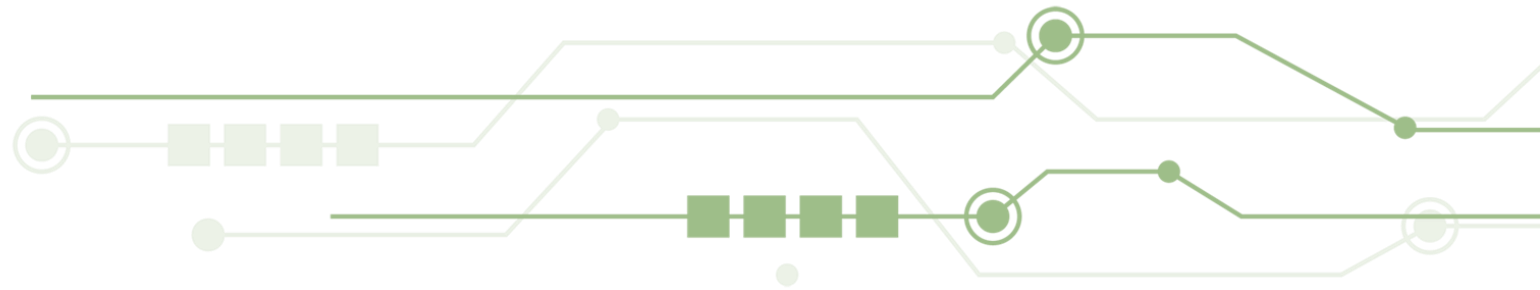
Since the COVID-19 pandemic was declared worldwide, there have been vast opportunities for organisations to adjust their operational systems. COVID-19 has accelerated the move towards digital and a less labour-intensive workforce. The crisis is expected to impact existing labour-intensive industries to become more digital and flexible.

Therefore, companies need to improve their digital capabilities and rethink how to reposition resources better in order to deal with potential risks such as cyber-attacks, when people work from home. Companies also need to stress test their digital systems, particularly related to bandwidth and cybersecurity in order to tackle digital risks.

Various systems and processes that will shorten the crisis as much as possible must be put in place. These can include finding interim solutions that would address existing and upcoming challenges resulting from the crisis. There is also a critical need to challenge assumptions and develop an exit strategy when facing a crisis.

Organisations need to implement immediate response plans and ensure sufficient runway to be relentless in cash management in order to move from the Respond phase to the Recover phase.

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