The Heart of Resilient Leadership
Responding to COVID-19

March 24, 2020
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 …AND THE HEAD**

Serve the heart of your organization, your purpose, and your societal obligations, while simultaneously making hard decisions to protect financial viability.

- How are you balancing both empathy and decisiveness to serve your employees, customers, communities and ecosystem?

**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:

**Priorities**
- The six functional areas most at risk during a crisis

**Time Frame**
- Thoughtfully selecting when to pivot from Respond to Recover to Thrive

**Accountability**
- Defining who is responsible and accountable in the business

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## 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._

### Time Frame

- **RESPOND**
  - Prepare / Manage Continuity
  - Learn and Emerge Stronger
- **RECOVER**
  - Prepare for the Next Normal
- **THRIVE**
  - Strategize and Build for the Next Normal

### Accountability
- CEO
- CFO, COO
- CRO, GC
- CTO
- CHRO, CSO

### Priorities

#### Command Centre
- Institute crisis and resilience planning
- Nominate task force leadership team (and back-up)
- Develop and launch Communications Plan and Strategy
- Activate and communicate Pandemic Preparedness strategy
- Scenario plan to determine decisions to make today or defer

#### Workforce & Strategy
- Optimize corporate HR policy – leave, travel, global mobility
- Review employment contracts for potential issues
- Prioritize strategic choices and investments
- Communicate with other key financial stakeholders
- Implement and monitor safe / flexible working arrangements
- Control discretionary operating costs and capex
- Rapid working capital optimization and credit solutions
- Evaluate working capital and liquidity requirements
- Ensure actions uphold Responsible Business principles
- Secure commercial and financial support from customers
- Reinforce loyalty by protecting and rewarding customers
- Establish open communication channels with customers
- Implement digitally-enabled future of work including for
- Implement digitally-enabled of work

#### Business Continuity & Financing
- Develop real-time sensing / red flag reporting dashboard
- Assess and address systems and cyber vulnerabilities
- Enable data-driven insights and situational awareness
- Review orders vs commitments and inventory
- Use advanced technology in customer communications
- Reset receivables cycle and collections process and KPIs
- Update digital properties to synch with availability
- Design digitally-enabled flexible work arrangement
- Establish multi-tier supplier network visibility to risks
- Establish control towers to predict, sense and prescribe risk responses
- Implement Industry 4.0 and Digital Supply Network (DSN) solutions to improve end-to-end visibility, synchronization, optimization, and agility
- Establish control towers to predict, sense and prescribe risk responses
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#### Supply Chain
- Identify supply chain risks and potential disruptions
- Implement more flexible financing terms with lenders
- Communicate with other key financial stakeholders
- Understand impacts on contractual obligations (e.g. loss quantification, force majeure)
- Gather documentation for contract negotiations and claims
- Implement cash tax strategies / leverage government incentives
- Establish open communication channels with customers
- Develop contingency plans for operational disruption
- Manage inventory and cash flow through agile execution
- Ensure internal audit resources reallocated based on risk
- Right size and operating model of support function
- Command Centre
- Institute crisis and resilience planning as BAU
- Update crisis playbook to reflect COVID-19 lessons learned
- Organizational design for resilience and flexibility
- Regularly refresh vulnerabilities assessment
- Implement control towers to predict, sense and prescribe risk responses
- Restructure supply chain to improve resilience
- Strengthen the operational model to improve business performance
- Implement Industry 4.0 and Digital Supply Network (DSN) solutions to improve end-to-end visibility, synchronization, optimization, and agility
- Establish open communication channels with customers
- Evaluate capacity / incentives to provide financial support
- Develop contingency plans for financial disruption
- Reimagine the operational model to strengthen customer engagement
- Implement digitally-enabled of work including for

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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.

Priority Impact Sectors | Scenarios | Influencing Factors
--- | --- | ---
Short term | Recovery scenario | Reduced/Restricted Travel | Production Suspended | Supply Chain Interruption | Reduced Consumption | Working Capital Pressure

- **Automotive**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Consumer Goods (Clothing & Essentials)**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Consumer Goods (Luxury Goods)**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Transportation and Hospitality**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Technology (Hardware)**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Real Estate**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Oil & Gas**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)
- **Life Sciences**: Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world)

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

- **Command Centre**: 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.

- **Workforce & Strategy**: 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.

- **Business Continuity & Financing**: 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.

- **Supply 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.

- **Customer Engagement**: 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.

- **Digital Capabilities**: 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

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<td>Command Centre stand up to centralize communication and decision-making</td>
<td>Managing financial stability to support business continuity through uncertainty</td>
<td>Framing crisis communication strategies to reinforce brand image</td>
<td>Training support for a smooth transition to remote work arrangement</td>
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<td>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 order to address these concerns, one major OEM stood up a Command Centre in early February that provided centralized support to help maintain production and balance supply in response to more volatile market demand.</td>
<td>In February, a leading green energy supplier—an audit client based in China and listed in Hong Kong—sought to obtain waiver and amendment consent from lenders on the possible material uncertainty on going concern. In addition to assessing its financial position and debt servicing ability, the company also formulated its communication strategy to increase transparency to lenders and obtain their consent.</td>
<td>A multinational financial services company with operations across China wanted to further formalize their approach to Crisis Communications with stakeholders. They assessed various Crisis Communication frameworks and adopted one that improved upon their current practices. The company was able to rapidly enhance its approach to communicating with customers in a way that served to reinforce their brand image as the crisis evolved.</td>
<td>For many Chinese enterprises, remote work has become the only option to resume any work during the epidemic. A large state-owned bank developed and delivered a series of training courses to help employees quickly adapt to the remote work arrangement they had employed. The courses were tailored to different target groups—employees, management teams, and HR. They covered key operational aspects including business development, work management, customer management, team management, and HR policies. This training support helped ensure a smooth transition to remote work and maintain productivity at all levels.</td>
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<td>COMMAND CENTRE, AUTO SECTOR, EMEA</td>
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<td>CUSTOMER ENGAGEMENT, FINANCIAL SERVICES, CHINA</td>
<td>WORKFORCE &amp; STRATEGY, FINANCIAL SERVICES, CHINA</td>
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<td>Conducting Cognitive Sensing to detect COVID-19 operational and reputational risks</td>
<td>Leading supply chain assessment and innovation to prepare for disruption</td>
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<td>A state government agency was interested in proactively monitoring COVID-19 outbreaks in near real-time to enhance their ability to protect and safeguard their citizens. They enhanced their resiliency and crisis response program, including augmenting their sensing capabilities. They 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.</td>
<td>A major retailer with a high degree of vendor concentration in China was concerned about the potential for a prolonged supply chain disruption. They launched a real-time pandemic preparedness strategy which included structuring a global Command Centre structure, communication framework and tools. This project involved stress testing the business continuity plans globally, identifying gaps and potential vulnerabilities in the supply chain, and developing contingency plans. The company also embraced 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.</td>
<td>For a multinational financial services company with operations across China, they wanted to further formalize their approach to Crisis Communications with stakeholders. They assessed various Crisis Communication frameworks and adopted one that improved upon their current practices. The company was able to rapidly enhance its approach to communicating with customers in a way that served to reinforce their brand image as the crisis evolved.</td>
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