The Heart of Resilient Leadership
Responding to COVID-19

March 12, 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?

**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?

**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?

**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.**

#### Accountability

- Implement cash tax strategies / leverage government incentives
- Gather documentation for contract negotiations and claims
- Understand impacts on contractual obligations
- Communicate with other key financial stakeholders
- Control discretionary operating costs and capex
- Rapid working capital optimization and credit solutions
- Implement cash conservation and recovery actions
- Ensure actions uphold Responsible Business principles
- Implement and monitor safe / flexible working arrangements
- Review employment contracts for potential issues
- Optimize corporate HR policy – leave, travel, global mobility
- Communicate and empower COVID-19 Command Centre
- Nominate task force leadership team (and back-up)
- Institute crisis and resilience planning

#### Time Frame

- **Respond:** Prepare / Manage Continuity
  - 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
- **Recover:** Learn and Emerge Stronger
  - 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
  - Develop residual talent / capabilities & financing
- **Thrive:** Prepare for the Next Normal
  - Institute crisis and resilience planning as BAU (e.g. fixed vs variable resources; manpower vs technology)
  - Reflect on lesson learned and share best practices
  - Implement digital-enabled future of work including for business processes and back-office functions

#### Priorities

<table>
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<tr>
<th>Command Centre</th>
<th>Talent &amp; Strategy</th>
<th>Business Continuity &amp; Financing</th>
<th>Supply Chain</th>
<th>Customer Engagement</th>
<th>Digital Capabilities</th>
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<tbody>
<tr>
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<td>Ensure actions uphold Responsible Business principles</td>
<td>Identify supply chain risks and potential disruptions</td>
<td>Engage with key customers to support business continuity</td>
<td>Assess and address systems and cyber vulnerabilities</td>
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<td>Nominate task force leadership team (and back-up)</td>
<td>Review employment contracts for potential issues</td>
<td>Implement cash conservation and recovery actions</td>
<td>Evaluate demand and supply side shocks and develop inventory strategies to buffer volatility and risk</td>
<td>Reinforce loyalty by protecting and rewarding customers</td>
<td>Enable data-driven insights and situational awareness</td>
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<td>Understand impacts on contractual obligations (e.g. loss quantification, force majeure)</td>
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<td>Develop real-time sensing / red flag reporting dashboard</td>
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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.

### 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.

**Talent & 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.

### Priority Impact Sectors

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<th>Scenarios</th>
<th>Influencing Factors</th>
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<td>Short term</td>
<td>Recovery scenario</td>
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<tr>
<td>Reduced/ Restricted Travel</td>
<td>Production Suspended</td>
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<td>Supply Chain Interruption</td>
<td>Reduced Consumption</td>
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<td>Working Capital Pressure</td>
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<td>Transportation and Hospitality</td>
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<td>Technology (Hardware)</td>
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| Impact in Q1 2020 | Impact predominantly in H1 2020, recovery through H2 2020 (assuming normalisation in rest of world) |

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

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 ENGAGEMENT, 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