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The Heart of Resilient Leadership *Responding to COVID-19*

March 10, 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

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



Priorities

The seven functional areas most at risk during a crisis



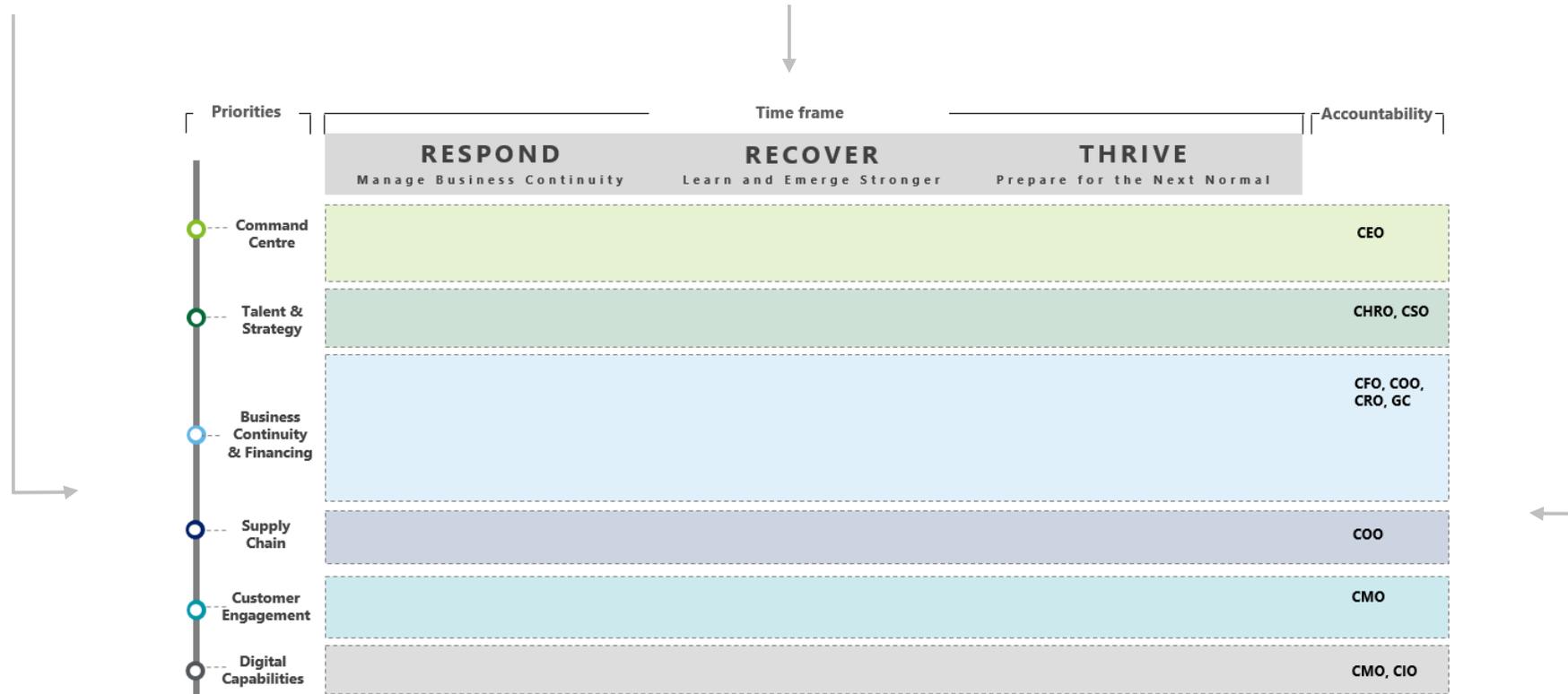
Time Frame

Thoughtfully selecting when to pivot from Respond to Recover to Thrive



Accountability

Defining who is responsible and accountable in the business



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](https://www.deloitte.com).

Priorities	Time Frame			Accountability
	RESPOND Prepare / Manage Continuity	RECOVER Learn and Emerge Stronger	THRIVE Prepare for the Next Normal	
Command Centre	<ul style="list-style-type: none"> 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 style="list-style-type: none"> Activate recovery contingency plan if required Reflect on lessons learned and rebuild with resilience Formalize and update crisis and resilience playbook Embed relevant Command Centre protocols into BAU 	<ul style="list-style-type: none"> 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 	CEO
Talent & Strategy	<ul style="list-style-type: none"> Optimize corporate HR policy – leave, travel, global mobility Review employment contracts for potential issues Implement and monitor safe / flexible working arrangements Prioritize strategic choices and investments 	<ul style="list-style-type: none"> 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 style="list-style-type: none"> Rework employment arrangements to reflect next normal Employee education and training in crisis and resilience Consider shape of business models and ecosystems of the future Build scenario thinking / sensing into strategic decision-making 	CEO with CHRO, CSO
Business Continuity & Financing	<ul style="list-style-type: none"> Ensure actions uphold Responsible Business principles Implement cash conservation and recovery actions Evaluate working capital and liquidity requirements Rapid working capital optimization and credit solutions Control discretionary operating costs and capex Negotiate 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 style="list-style-type: none"> Identify supply chain risks and potential disruptions Develop contingency plans for operational disruption Understand demand and supply side shocks and develop inventory strategies to buffer volatility and risk 	<ul style="list-style-type: none"> Establish multi-tier supplier network visibility to risks Collaborate with customers and suppliers to synchronize operations to priorities within constraints Manage inventory and cash flow through agile execution 	<ul style="list-style-type: none"> Establish control towers to predict, sense and prescribe risk responses Restructure supply chain to improve resilience Implement Industry 4.0 and Digital Supply Network (DSN) solutions to improve end-to-end visibility, synchronization, optimization, and agility 	COO, GC CTO
Customer Engagement	<ul style="list-style-type: none"> Engage with key customers to support business continuity Reinforce loyalty by protecting and rewarding customers Secure commercial and financial support from customers Develop communication strategy with front line employees 	<ul style="list-style-type: none"> Review orders vs commitments and inventory Use advanced technology in customer communications Reset receivables cycle and collections process and KPIs 	<ul style="list-style-type: none"> 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 	CMO
Digital Capabilities	<ul style="list-style-type: none"> Assess and address systems and cyber vulnerabilities Enable data-driven insights and situational awareness Develop real-time sensing / red flag reporting dashboard 	<ul style="list-style-type: none"> Update digital properties to synch with availability Design digitally-enabled flexible work arrangement Optimize e-commerce and customer / channel strategy 	<ul style="list-style-type: none"> Implement digitally-enabled future of work including for business processes and back-office functions Reflect on lesson learned and share best practices 	CMO, CIO CFO, CHRO GC, CTO

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

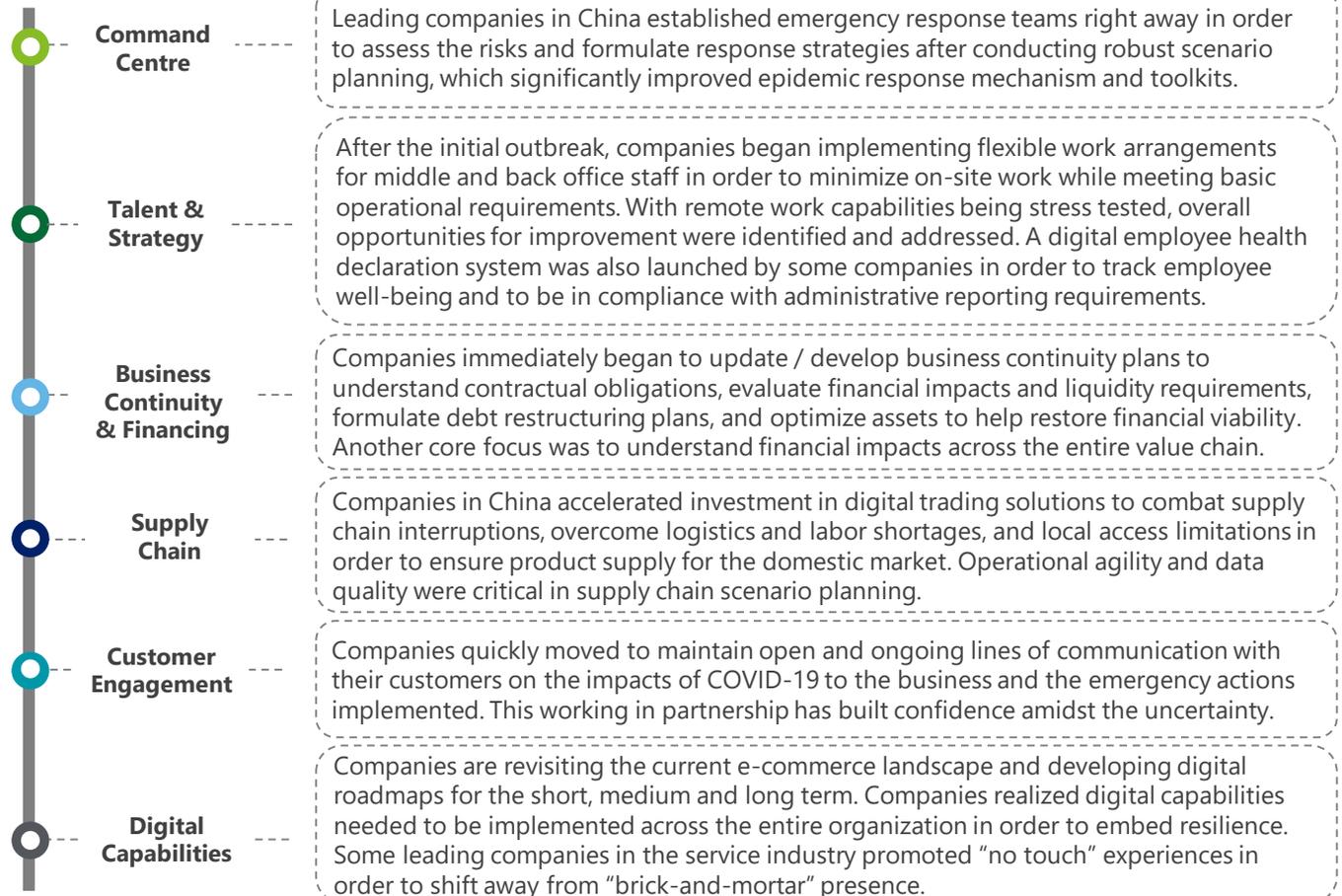
CASE STUDY: China took decisive actions to contain the impact of the crisis on their sectors. While the country was clearly impacted in Q1 FY20, there is evidence of recovery.

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

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

H High Impact N Neutral or Low impact
 M Significant disruption/financial impact O High demand/opportunity

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



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



Command Centre

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 Deloitte 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

Talent & Strategy

Business Continuity & Financing

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 Deloitte 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

Supply Chain

Customer Engagement

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 Deloitte 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 Deloitte 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 Deloitte 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